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GOVERNMENT PUBLICATIONS
COLLECTION

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EDWARD J. KING
GOVERNOR

GERALD T. MULLIGAN
COMMISSIONER

The Commonwealth of Massachusetts
Office of the Commissioner of Banks
State Office Building, Government Center
100 Cambridge Street, Boston 02202

The regulations of this division are contained elsewhere, in the Code of Massachusetts Regulations available at the State Bookstore at the State House.

This contains the directives, guidelines and policies of the division. We have attempted to assemble all such matters still outstanding.

All future correspondence addressed to the industry generally, as opposed to particular institutions, will be released with a filing number so that you may, if you wish, maintain a complete set.

The Commonwealth of Massachusetts
Office of the Commissioner of Banks
State Office Building, Government Center
100 Cambridge Street, Boston 02202

November 14, 1980

To the Chief Executive Officer of the Institution Addressed:

On January 4, 1980 Commissioner Mulligan released to all state-chartered financial institutions the Banking Department's Administrative Bulletin Manual. The purpose of the manual was to assemble all of the Division's outstanding directives and policy statements. It did not contain any new statements, but merely those then determined to be outstanding.

The Commissioner also committed to update the manual on an annual basis. The enclosed package contains all of the additions and also identifies the deletions for the year 1980. If you would make the changes in your institution's manual, it will insure that the manual is kept current and hopefully remove any confusion regarding the Division's policies.

Very truly yours,

Paul E. Bulman

Paul E. Bulman
Deputy Commissioner of Banks

PEB/v
Enclosure

The Commonwealth of Massachusetts
Office of the Commissioner of Banks
Leverett Saltonstall Building, Government Center
100 Cambridge Street, Boston 02202

November 10, 1982

To the Chief Executive Officer of the Institution Addressed:

On January 4, 1980 Commissioner Mulligan released to all state-chartered financial institutions the Banking Department's Administrative Bulletin Manual. The purpose of the manual was to assemble all of the Division's outstanding directives and policy statements. It did not contain any new statements, but merely those then determined to be outstanding.

The Commissioner also committed to update the manual as needed. The enclosed package contains all of the additions and also identifies the deletions for the years 1981 and 1982. If you would make the changes in your institution's manual, it will insure that the manual is kept current and hopefully remove any confusion regarding the Division's policies.

Very truly yours,

Paul E. Bulman
First Deputy Commissioner of Banks

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Administrative Bulletin Additions and Deletions

For Years 1981-1982

Additions - Reference No.	Description
General Index B	Years 1981-1982 General Index
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5-8A	Schedule of Preliminary Information Request
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18-2B	"
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19-7	Small Loan Rate Orders
20-1	Truth-in-Lending
20-2A	1980 Property Tax Escrow
20-2B	1981 Property Tax Escrow
20-3	Truth-in-Lending

Publication #13,012-800-37-11-82-C.R.
Approved by: John J. Manton, State Purchasing Agent

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

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The Commonwealth of Massachusetts

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The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 1-3 Audit Policy Savings, Coops., Credit Unions

Determination of the audit requirements of your institution is the responsibility of your audit or finance committee. This department will no longer require committees and auditors to comply with previously issued audit guidelines, but rather, to gear the scope of future audits to their own institution's needs. The committee should require that the day to day internal operational controls are adequately scrutinized as part of the audit proposal. The critical areas of the proposed audit scope, the firm or company selected, and the cost of the proposal should be reported to the Commissioner of Banks as soon as it is accepted by the committee. This information will be reviewed for acceptance of the scope, compliance with the General Laws, and used by the department in planning of its future examinations.

Your notification to this department will not be answered unless the proposal is unacceptable (for example, inadequate scope). If the committee feels that it needs assistance in determining the scope, it should consult the appropriate trade association, accountants, or industry audit guides such as "Audits of Savings and Loan Associations", and/or "Audit of Banks" published by the A.I.C.P.A., and available to all C.P.A. members.

When the audit of your institution has been completed and the report and management letter submitted to the board, a copy of the completed report and management letter should be sent to Mr. Edward F. Sweeney, Deputy Commissioner of Bank Supervision, (for savings banks and co-operative banks), or to Mr. Edward G. Welch, Deputy Commissioner of Bank Supervision, (for credit unions), c/o The Office of the Commissioner of Banks. The report will be reviewed by the division and will influence the proposed scope of your next Banking Department examination.

The committee members should be cognizant of the fact that they are responsible for the integrity of the financial records of their institution, and proper accounting and auditing procedures should be supportive of that responsibility. In the event that a State Banking Department examination discloses irregularities in the records of the institution, then the Commissioner of Banks will name an accountant, at the institution's expense, and in compliance with the provisions of the General Laws Chapter 167, Section 2.

Date: 7/1/79
Restatement of letter 1/11/73

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 1-4 Audit Committee - Savings Banks

I consider the following to be a minimum standard of performance acceptable for members of the Audit Committee.

Compliance with statutory requirements.

A. An annual audit (see Chapter 168, Section 63).

1. A meeting previous to the audit:

(a) To review the last audit and examination reports.

(b) Determine areas the auditor shall give special attention to.

(c) Anticipate any new areas requiring attention.

2. Reasonable availability for consultation with the accountant during the course of the audit.

3. At the conclusion of the audit, review the audit with the accountant, previous to submission to the trustees.

(a) This meeting should be held without the officers of the bank being present except at the call of the committee while answering specific questions.

4. Upon receipt of the audit, a report of the committee to accompany the submission of the audit to the board.

B. Examination for estimated income and expense for dividend (see Chapter 168, Section 59).

1. A meeting previous to submission of report to board of trustees:

(a) To determine the accuracy of the method of computation.

I call to your attention that the Audit Committee answers to the board of trustees and that the accountant answers to and reports to the Audit Committee, not the management.

Minutes of the meetings of the Audit Committee should be taken, along with attendance records. These records must be available for the examiners. The examiner will make appropriate remarks in his comments on the examination.

If a present member of the Audit Committee feels he cannot meet the commitment of time, I suggest you accept his resignation. Before a trustee accepts an appointment to the committee, I suggest he becomes acquainted with these standards of performance.

Date: ללוח

Restatement of letter 8/17/76

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 1-5A Premiums, Gifts, Giveaways, Sale of Merchandise

1. Premiums are not considered payment of interest.

Premiums which are modest in amount, made on a nonrecurring basis and offered uniformly to all patrons for the purpose of inducing new and additional deposits shall be considered a legitimate advertising expense.

The Depository Institutions Deregulation Committee has set new guidelines. This will amend our guidelines to reflect those changes. The effective date will be December 31, 1980.

If merchandise is given, the total cost including shipping, packaging and handling expenses must not exceed $10.00 for deposits of less than $5,000.00 or $20.00 for depoists of $5,000.00 or more.

Premiums can be given to a depositor only when a new account is opened, an existing account is renewed, or funds are added to an existing account.

No more than two premiums per account may be given per account in any twelve month period.

Finders fees are defined as payment of interest to the depositor.

2. Sale of merchandise is permitted.

Sale of merchandise is permitted in connection with promotional activity for the inducement of new or additional deposits.

The scope of such merchandising must be in reasonable relationship to the advertising program, i.e. value of items in comparison to the size of the deposit.

N.B. Under no circumstances shall any depositor's right to withdrawal of his account be restricted in whole or in part as a result of his participation in the inducement program.

Date: 10/21/80

This is a restatement of Guidelines 7/79.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 2-1 Surety Bonds Savings Banks

Every bond shall contain the following clause:

> "No cancellation of this bond, whether made at the request of the Insured or by the Underwriter, shall take effect prior to the expiration of ten days after written notice of the cancellation of this bond has been filed with the Commissioner of Banks of the Commonwealth of Massachusetts, unless an earlier date of cancellation is approved by the Commissioner of Banks.
>
> "Signed, sealed and dated this _____day of _____ 19____."

Date: 5/15/73

This restates instructions of 11/25/55

//

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 2-2 Closing the Books Savings Banks

Effective October 26, 1954 the following procedure will be required.

Savings banks are permitted to close the balance of the net income accumulated from the previous distribution dates into the profit and loss account on October 31, provided that an adjustment of the account was made into another capital account on the first business day following the aforementioned closing.

Date: 7/1/54

This is a restatement of directive 10/26/54

MASS. AF 24.8: A65/2-1A

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 2-1A
September 18, 1991

All Credit Unions
Chapter 167, section 6
Chapter 171, section 69

Statement of Policy on Loan Loss Reserve Requirements for Credit Unions

Authority and Scope

This policy statement is issued by the Commissioner of Banks under the authority of General Laws, Chapter 167, section 6. It is the Division of Banks' ("The Division") official statement on minimum regulatory requirements for credit union loan loss reserves. Its primary purpose is to require credit unions to establish and maintain adequate loan loss reserves.

Policy

Statutory loan loss reserve requirements for credit unions are found in General Laws Chapter 171, section 69. This provision requires a reserve equal to the average losses sustained on loans classified as losses in the credit union's last three examinations. This statute, however, is not a ceiling on the level of reserves maintained by credit unions. It is the Division's position that General Laws Chapter 171, section 69 only establishes a threshold or minimum reserve requirement for credit unions. The management of a credit union is responsible for establishing and maintaining an Allowance for Loan Losses ("ALL") that is adequate to absorb estimated losses inherent in the loan portfolio. Historically based loan loss reserves are often an inadequate basis for calculating such reserves during volatile economic periods. Accordingly, credit unions must observe the following standards in establishing an adequate allowance for loan loss reserves.

The current authoritative source of accounting guidance on the ALL under Generally Accepted Accounting Principles ("GAAP") is the Financial Accounting Standards Board's Statement No. 5, Accounting for Contingencies (FASB 5). FASB 5 states that an allowance for credit losses should be established when information prior to the issuance of the financial statements indicates that it is probable that a loss can be reasonably estimated. Accordingly, credit unions are required to adhere to FASB 5 in the establishment of such reserve.

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Credit unions should consider the following factors when determining the adequacy of the allowance for loan losses:

A. The volume and mix of the existing loan portfolio, including the volume and severity of non-performing loans and adversely classified credits, as well as an analysis of net charge-offs experienced on previously classified loans;

B. The extent to which loan renewals and extensions are used to maintain loans on a current basis and the degree of risk associated with such loans;

C. The trend in loan growth, including any rapid increase in loan volume within a relatively short time period;

D. General and local economic conditions affecting the collectibility of the credit union's loans;

E. Previous loan loss experience by loan type, including net charge-offs as a percent of average loans over the past several years;

F. The relationship and trend over the past several years of recoveries as a percent of previous year's charge-offs; and

G. Available outside information of a comparable nature regarding the loan portfolios of other credit unions, including peer group credit unions.

At a minimum, the allowance should be sufficient to cover at least those loans classified loss in the examination report, some applicable percentage of other classified loans, and an estimate of potential losses on all other loans in the portfolio.

Enforcement The adequacy of loan loss reserves will be carefully reviewed by examiners during the annual examination process under General Laws Chapter 167, section 2. Examiners will determine whether credit union management reviews the adequacy of the ALL on at least a semi-annual basis. Credit union management must maintain records of its allowance evaluations. Credit unions found to have inadequate loan loss reserves will be required to make adjustments or additional provisions to such reserves by making a charge to provision for loan loss reserve.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 2-3 Uncollected Interest on Loans - All Banks and Credit Unions

As of November 1, 1976, no interest shall be accrued on loans on which a default in the payment of principal or interest has existed for a period in excess of sixty (60) days or three payments missed on due dates. For example, if a payment is due on January 1, accrual of interest must stop if the February 1 and March 1 payments are both missed.

The above rule need not apply in the following loan situations:

(1) A loan in default where the principal and interest payments are guaranteed by a governmental agency or private mortgage insurance.

(2) A loan in default where in bank management's opinion collateral held by the bank is clearly sufficient to cover both interest and principal. In this case, the bank must maintain a written record as to why the interest receivable accrued thereon should be continued to be reflected as an asset of the bank. Such written records are to be readily available to examiners.

(3) Monthly payment consumer installment loans for which interest is either added on or discounted.

(4) Credit or charge card plans such as Bank Americard, Master Charge, or other plans.

(5) Open ended credit plans such as check credit plans.

When a loan is placed on a non-accrual status, any interest theretofore accrued should be reversed and charged against current income.

Date: 11/1/76

Restates: Directive 9/27/76
and Revision 11/5/76

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 2-4 Charge-off of Loans Trust Companies

I hereby direct that all loans or portions thereof, as well as real estate in possession or by foreclosure which are classified as losses by examiners from this department, be charged off or otherwise reserved for within thirty (30) days of receipt of the examination report in which they are contained, and that this Department be notified in writing when this has been done.

Recognizing that there may be extenuating circumstances, or that subsequent events may have occurred which might lead to a less severe classification, or that there may be a legitimate difference of opinion between bank management and the examiner, I will waive this directive upon request; but only after a meeting is held between bank management and the Divisional Director and the Chief Director of Bank Examinations, and after receiving their written permission to not so charge off certain loans which are classified as losses.

I emphasize that this is a directive, and that your bank no longer has the option of determining when it will charge off classified losses.

Date: [illegible]

Restatement of Directive 8/2/76

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 2-5 Unearned Income Credit Unions

Effective May 1, 1975, all loans that are not written on an interest bearing basis must have income credited to an unearned income account instead of earned income. An Unearned Income or Unearned Discount account is to be established and all income on installment loans made after May 1, 1975, as well as all interest rebated on loans made after May 1, 1975, is to be booked through this account.

At the end of each dividend period the "earned" portion of the after May 1, 1975 loans outstanding is to be transferred to income. The statutory transfers to the Guaranty Fund will be based upon this amount and any other income that the credit union has earned for the period.

This office will, upon application, allow time for individual credit unions to implement procedures.

Date: [illegible]

This is a restatement of 3/20/75

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 2-6 Valuation of Securities Savings Banks

It is requested that a review of your investment portfolio be made and that the book values of bonds previously reduced below market values, exclusive of premiums, be restored to par values, market values at the time of the charge offs, or current market values, whichever are the lowest. With respect to bank stocks, the book values of which have been similarly reduced, it is requested that such book values be restored to cost, market values at the time of the write-downs, or current market values, whichever are the lowest. The amounts involved in the increases in book values should be credited to the Profit and Loss account.

Data supporting whatever action is found necessary by the bank in regard to the foregoing should be retained for the information of the examiner at the time of the next examination by this department.

Date: [illegible]

Restatement of letter 3/6/52

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 2-7 Equity Investments All Banks and Credit Unions

Effective January 26, 1976 if your equity investment is shown on your financial and income statements at purchase price you are required to show, in a footnote, the market value. This directive includes all statements representing the bank's condition. No adjusting entries will be required.

Date: [illegible]

This restates directive 1/26/76
and addenda 3/15/77

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 2-9 Borrowings by Bank Savings Banks

This office has recently had under study the use of the provisions of § 66 of c. 168 of the General Laws, said section authorizing savings banks to " . . . borrow money (a) for the purpose of repaying its depositors, or (b) for such other purposes as said board (Board of Investment) may deem to be in the best interest of such corporation." While we expect that occasions for borrowing will continue to be very infrequent, we, nevertheless, feel that some overall plan should be considered in the event that the use of § 66 should become, on reasonably short notice, necessary or desirable.

In furtherance of this objective, we suggest that you consider a loan agreement with a commercial bank whereby there will be available an amount equal to the greater of 1 per cent of your deposits or $100,000. It is our opinion that this arrangement should be made by all savings banks within a reasonable time. In suggesting 1 per cent of deposits as a uniform amount, we have done so with the thought that it would be sufficiently modest so as to cause no hesitance on the part of the commercial banks to enter into such agreements. It should not be construed, however, as precluding additional borrowings so long as they are within the scope of § 66. Savings banks could divide their prearranged borrowing amount between two or more depository commercial banks if desired.

Please advise this office when you have executed the proposed borrowing agreement and the following in connection therewith:

Attested copy of vote by the Board of Investment authorizing its execution;

Name of commercial bank(s) and amount(s);

Date of agreement;

Termination date of agreement, if any.

This office should also be advised of any actual termination and of new termination date if term of agreement is extended.

Superseding our letter of January 4, 1956, the following information should always be sent to this office in connection with actual borrowing, whether under a prearranged loan agreement or otherwise:

1. An attested copy of vote by the Board of Investment authorizing specific amount to be borrowed;

2. A letter to the Department containing the following information:

   A. Date of Borrowing;
   B. Maturity or expected date of repayment;
   C. Purpose of borrowing:
      (a) To repay depositors;
      (b) For other purposes (specify)
   D. Source of borrowing;
   E. Other borrowings not yet repaid;
      (a) Date borrowed;
      (b) Amount

3. Copy of above letter to the Mutual Savings Central Fund, Inc.

The final sentence of said § 66 states as follows: "A copy of (the) vote of the board of investment and notice in writing of amounts so borrowed shall be forwarded forthwith to the commissioner and to the Mutual Savings Central Fund, Inc."

Membership in the Federal Home Loan Bank of Boston will be considered as access to a suitable line of credit.

Date: 11/1/74

Restatement of directives 3/20/61
and 8/6/74

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 2-10 By-Laws Savings Banks

As of February 4, 1960 prior approval of By-Law changes is no longer required. The Clerk of the Corporation must attest and send to the Commissioner a copy of all By-Law changes within fourteen days of their adoption.

Date: ١/٤/٦٦

This is a restatement of directive dated 2/4/60

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 3-2 Covered Call Options Savings Banks

This division has no objection to the writing of call options against securities held under Sections 47 through 50 of Chapter 168 of the Massachusetts General Laws, subject to the following guidelines.

1. Approved option activity is specifically limited to writing of covered call options against securities owned by the bank. Under no circumstances may an option be purchased except in a closing purchase transaction.

2. Only options listed on a registered national securities exchange and cleared by the Options Clearing Corporation may be written.

3. In the event that securities underlying any covered option are sold, the option must be contemporaneously repurchased.

4. No bank shall undertake a program of writing covered options unless it has given notice to the Office of the Commissioner of Banks that the activity has been specifically authorized by vote of its Board of Trustees.

5. A Board of Investment shall (a) approve every option transaction; (b) review its bank's position with respect to optioned securities on at least a monthly basis; and (c) maintain records as to each option transaction in order to demonstrate its exercise of prudent judgment under a rationale related to conservative management.

6. Optioned securities held by a custodian must be held under an escrow or depository agreement and segregated from other securities owned by the bank and the bank must obtain and retain in its possession a copy of an escrow receipt identifying with particularity the escrowed stock.

7. The price (premium) received for selling a call option shall not be included in income at the time of receipt but shall be carried in a deferred account until one of the following occurs: (a) the call option expires through the passage of time; (b) the bank engages in a closing purchase transaction (repurchase transaction) with respect to the call option; or (c) the bank sells the underlying stock pursuant to an exercise of the call option.

8. Any income resulting from the expiration of written call options and net income or expense resulting from a repurchase transaction should be included in a separate operating investment income account such as "Income from Options" and will qualify as net earnings available for dividends. If an option is exercised, the premium received should be treated as part of the proceeds from the sale of the underlying stock.

9. For the purpose of footnote disclosure of the market value of equity securities (per January 26, 1976 directive), the current market price of any outstanding call options must be netted against the premium carried in the deferred account; if the option is not traded that day, the offering price of the option must be used.

Exception to the first sentence of guideline (8):

> If the underlying stock is sold for sound investment or other reasons unrelated to option income, the gain or loss on the repurchase transaction may be combined with net gain or loss on the stock to produce a gain (loss) to be credited (charged) to surplus.

Date: 11/79

This is a restatement of letters dated 3/14/77 and 8/2/78

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 4-1 Directors Co-operative Banks

Effective July 16, 1969 the division requires information on all directors of each bank. The forms to be completed are attached, one copy should be completed and returned to this office another copy should be retained in the bank's records.

As changes occur we must be notified.

Date: 11/17

Restatement of letter 6/30/69

4-1.1 ____________________CO-OPER[illegible]E BANK OF____________________

STATISTICAL DATA PERTAINING TO DIRECTORS

(Please type)

DIRECTOR'S NAME	HOME ADDRESS	OCCUPATION	BUSINESS ADDRESS	AGE AS OF 7-16-69	DATE OF BIRTH

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 5-1 Examination Fees - Trust Companies

Effective for examinations beginning on or after January 1, 1979, the charge, based on assets will be seven and one-tenth cents (7.1¢) per thousand for banking department assets and three quarters of a cent (0.75¢) per thousand for trust department assets.

Date: [illegible]

Restatement of 2/5/79

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The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 5-2 Examination Fees - Savings, Co-operatives and Credit Unions

Effective for examination beginning on or after January 1, 1979,) the charge, based on assets will be five and one-half cents (5 1/2¢) per thousand.

Date: 2/1/79

Restatement of February 5, 1979

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 5-3 Examination Reports - Copies - All Banks and Credit Unions

Effective October 4, 1977 copies of examination reports may be made for individual director or trustee study.

To retain confidentiality copies must be numbered and allocated. After review, the copies must be returned and destroyed. Improper use of the reports will be considered a breach of fiduciary duty.

Date: 5.1.79

Restatement of 10/4/77

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 5-4 Examination - Loan Classification - Credit Unions

Future reports will classify your loans in the following manner.

Definitions of Loan Classifications

Substandard:

Loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the credit union by reason of an unfavorable record or other unsatisfactory characteristics noted in the examiner's comments. There exists in such loans the possiblility of future loss to the credit union unless they receive the careful and continued attention of the credit union's management. While normally no loan is so classified if ultimate repayment seems reasonably assured in view of the sound net worth of the maker or endorser, his earning capacity and character, or the protection of collateral or other security of sound intrinsic value, any loan may, however, be made subject to this classification where no provision has been made for eventual payment, by means of a program of adequate periodical payments unless the loan is amply secured by marketable collateral.

Doubtful:

Loans or portions thereof the ultimate collection of which is doubtful and in which a substantial loss is probable but not yet definitely ascertainable in amount. Loans so classified should receive the vigorous attention of the management with a view to salvaging whatever value may remain.

Loss:

Loans or portions thereof regarded by the examiner for reasons set forth in his comments as uncollectible and as estimated losses. Amounts so classified must be promptly charged off.

Due to the absence of a written policy requiring credit unions to charge-off those loans or portions there-of, as well as real estate in possession or by foreclosure, which are classified as losses by examiners from this Department, it has been determined that many credit unions are failing to recognize these losses in a timely manner, and that the accumulation there-of places a heavy strain on the "Loan Reserve" account at one time.

Reflecting these concerns, other regulatory agencies throughout the nation have been moving to establish standards for recognizing loan losses. The Comptroller of the Currency directs national banks to write off all loans classified as losses by national bank examiners before the examiners leave the bank.

The Federal Home Loan Bank prefers that classified losses be charged-off before the examiner leaves the bank. Failing this however, classified losses must be charged-off within thirty days of receipt of the examination report.

All other institutions which come under the jurisdiction of the Banking Department must charge-off classified losses within thirty (30) days of receipt of the examination report in which they are contained.

In order to avoid this situation in the future in all state chartered institutions, and acting under the authorities contained in General Laws, Chapter 167, Section 6, the Department of Banks hereby directs that all loans, or portions thereof, as well as real estate in possession or by foreclosure which are classified as losses by examiners from this Department, be charged-off within thirty (30) days of receipt of the examination report in which they are contained, and that this Department be notified in writing when this has been done.

Recognizing that there may be extenuating circumstances, or that subsequent events may have occurred which might lead to a less severe classification, or that there may be a legitimate difference of opinion between credit union management and the examiner, I will waive this directive upon request; but only after a meeting is held between credit union management and the Director of Credit Union Examinations and Chief Director of Bank Examinations, and after receiving their written permission to not so charge-off certain loans which are classified as losses.

Date: 5/1/75

Restatement of 12/13/76

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 5-5 Examination - Loan Classification - Co-operative Banks

Future reports will classify your loans in the following manner.

Definitions of Loan Classifications

Substandard:

Loans, or portions thereof, which appear to involve a substantial and unreasonable degree of risk to the bank by reason of an unfavorable record or other unsatisfactory characteristics noted in the examiner's comments. There exists in such loans the possiblility of future loss to the bank unless they receive the careful and continued attention of the bank's management. While normally no loan is so classified if ultimate repayment seems reasonably assured in view of the sound net worth of the maker or endorser, his earning capacity and character, or the protection of collateral or other security of sound intrinsic value, any loan may, however, be made subject to this classification where no provision has been made for eventual payment, by means of a program of adequate periodical payments unless the loan is amply secured by marketable collateral.

Doubtful:

Loans, or portions thereof, the ultimate collection of which is doubtful and in which a substantial loss is probably but not yet definitely ascertainable in amount. Loans so classified should receive the vigorous attention of the management with a view to salvaging whatever value may remain.

Loss:

Loans or portions thereof regarded by the examiner for reasons set forth in his comments as uncollectible and as estimated losses. Amounts so classified must be promptly charged off.

Due to the absence of a written policy requiring banks to charge off or otherwise reserve for those loans, or portions thereof, as well as real estate in possession or by foreclosure, which are classified as losses by examiners from this Department, it has been determined that many banks are failing to recognize these losses in a timely manner, and the accumulation thereof places a heavy strain on the "Reserve for Bad Debts" account at one time.

Reflecting these concerns, other regulatory agencies throughout the nation have been moving to establish standards for recognizing loan losses. The Comptroller of the Currency directs all national bank examiners to write off all loans classified as loss by national examiners before the examiners leave the bank.

The Federal Home Loan Bank prefers that classified losses be charged off before the examiner leaves the bank. Failing this, however, classified losses must be charged off within thirty (30) days of receipt of the examination report.

In order to avoid this situation in the future in state-chartered institutions, and acting under the authorities contained in General Laws, Chapter 167, Section 6, the Department of Banks hereby directs that all loans, of portions thereof, as well as real estate in possession or by foreclosure which are classified as losses by examiners from this Department, be charged off or otherwise reserved for within thirty (30) days of receipt of the examination report in which they are contained, and that this Department be notified in writing when this has been done.

Recognizing that there may be extenuating circumstances, or that subsequent events may have occurred which might lead to a less severe classification, or that there may be a legitimate difference of opinion between bank management and the examiner, the Department will waive this directive upon request; but only after a meeting is held between bank management and the Divisional Director and the Chief Director of Bank Examinations, and after receiving their written permission to not so charge off certain loans which are classified as losses.

Date: 11/1/79

Restatement of 10/26/76

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 5-6 Loans to Examiners Trust Companies - Savings Banks

It has come to our attention that U.S. Code, Title 18, Section 212 prohibits a bank officer, director or employee from making a loan to and Section 213 prohibits an examiner accepting a loan from a bank that the examiner examines or has the authority to examine.

The Commissioner on January 14, 1977 notified her examiners that an examiner who had a loan with a state-chartered bank or credit union would be disqualified from examining that bank or credit union.

The Federal Deposit Insurance Corporation has taken the view that a loan by a bank insured by the Corporation to an examiner, either federal or state appointed who may by law examine the bank, constitutes a potential violation of law, which it is required by law to report to the United States Attorney.

The Corporation points out that interpretation as to the effect of the Commissioner's letter on disqualification on a federal criminal statute is the province of the United States Attorney.

In view of the potential harsh penalties imposed by the federal law, I feel compelled to call the matter to your attention and to our examiners. I suggest consultation with your own attorney as to the advisability of replacing the loan.

Date: 11/15

Restatement of letter 7/20/78

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 5-7 Electronic Data Processing Division - All Banks and Credit Unions

The Department of Banking has recently established an Electronic Data Processing Division which will conduct annual E.D.P. examinations in conjunction with our regular bank examinations. In order to accomplish our goals, we ask that you fill out the enclosed questionnaire and return it to this office no later than July 15, 1977.

If you contemplate a change in servicer or decide to add applications, a letter to that effect shall be forwarded to this office prior to any change.

Any questions concerning this matter should be directed to William Hartung, Deputy Commissioner of E.D.P. Supervision, at 727-1333.

Date: ١١/١٦٩

Restatement of 6/15/77

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 5-8 A Schedule of Preliminary Information Request All banks credit unions service bureaus

TO THE EXECUTIVE OFFICER OF THE INSTITUTION ADDRESSED:

In order to facilitate the Electronic Data Processing Examination of your institution and conserve your management resources, please have the information requested on the attached lists prepared, kept current and retained by the E.D.P. Auditor or the Data Processing Manager.

This revision of Directive 5-8 will conform to the standard E.D.P. Examination procedures of the Commissioner of Banks and the Federal Financial Institutions Examination Council.

During the course of the examination the examiner(s) will use various written materials to draw documented conclusions about the effectiveness of controls in your data center. Therefore, we request that the items on the attached list be made available to the examiner-in-charge upon arrival. Prompt attention to this request will expedite the examination and be appreciated.

To prevent unnecessary work and loss of time, please make sure that responses comply with the requests and include the details as specified.

Each item on the lists is marked either "Review" or "Copy".

REVIEW: This material will be reviewed on the premises and returned to you. It is not necessary to make copies of this information.

COPY: Please make copies of this material so that it can be retained in our workpapers. In future examinations, it will only be necessary to update this material, as applicable.

If you have any questions regarding the information requested, please contact the Director of E.D.P. supervision at (617) 727-1333.

PUBLICATION # 12728-1,000-11-3-82-CR
APPROVED BYJOHN J. MANTON, STATE PURCHASING AGENT

SECTION 1: INTERNAL AND EXTERNAL AUDIT COVERAGE

COPY:

1. Organization chart of internal audit function and ultimate reporting channel.

2. Audit Departments written charter from the Board of Directors.

3. A. List of all committees that are EDP related on which the Audit Department is represented. Include the organization's Audit Committee. (See Section 2 Number 3.)

   B. Names and titles of committee members.

   C. Brief description of committee functions.

4. List of EDP audit programs indicating:

   A. Name of program.

   B. Author or software vendor.

   C. Purpose.

   D. Frequency of use.

   E. Date last used.

   F. Applications to which they apply.

5. Brief resume on all key personnel in the audit department; include details of EDP and banking experience.

REVIEW:

1. The most recent external audit report of the data center and automated applications, including letter reports on internal controls.

2. The most recent internal audit report on EDP operations and supporting workpapers.

3. The internal auditor's audit manual or work program, as it pertains to EDP operations and application reviews.

4. Minutes of committees listed above.

5. Audit documentation standards and documentation for audit software.

6. Job descriptions for EDP Auditors.

7. Audit schedule and budget.

SECTION 2: ORGANIZATION AND MANAGEMENT

COPY: 1. Organization chart for the following:

A. Overall corporate structure including Board of Directors and Senior Management.

B. Overall structure of the data center including the following specific departments or functions:

1) Systems.

2) Programming.

3) Computer operations.

4) Data entry.

5) Input/output control and distribution.

6) Reconcilement and proof.

7) User assistance.

C. EDP Steering Committee.

2. List of the members of the Board of Directors, including occupation and principal business affiliation. If the center is not a financial institution, include principal owners (10 percent or more).

3. If an EDP Steering Committee exists (or if another committee performs the function):

A. List of names and titles of committee members. Indicate EDP education or experience.

B. Brief description of the primary functions of the committee and any subcommittee.

4. Plans for changes (additions, deletions or major modifications) in any of the following:

A. Applications processed.

B. Computer equipment.

C. Organization.

D. General internal control procedures.

E. Programming language.

5. List of the insurer and the amount of insurance coverage for the following:

   A. EDP equipment and facilities:

      1) Owned.

      2) Leased - direct.

      3) Leased - third party.

   B. Media transportation and reconstruction.

   C. Business interruption.

   D. Errors and omissions.

   E. Extra expense, including back-up site expenses.

   F. Fidelity coverage (on and off premises).

6. Date of last review of insurance coverage by Board of Directors.

7. Brief resume on all key personnel in the EDP department.

REVIEW:

1. The emergency procedure plan for EDP related areas.

2. Minutes of the Board of Directors.

3. If an EDP Steering Committee exists, the minutes of committee meetings for the last twelve months.

4. Administrative manuals containing written job descriptions and general personnel policies.

5. Floor plan of computer room designating major equipment components, fire extinguishers, library areas and location of heat/smoke detectors.

6. The organization's goals, objectives and budget.

SECTION 3: SYSTEMS AND PROGRAMMING

COPY:

1. Brief outline of steps required to effect a program change.
2. List of all automated applications indicating:
   - A. Programmers assigned to the application.
   - B. Programming language used.
   - C. Name of vendor, if purchased.
   - D. Purchase price.
   - E. Original book value.
   - F. Current book value and amortization.
   - G. Run frequency.
   - H. Number of accounts.
   - I. Average transaction volume.
3. List of ALL programs with data altering capabilities.
4. Detail controls over the use of utilities with data altering capabilities.

REVIEW:

1. Standards manuals for systems and programming function.

SECTION 4: DATA INTEGRITY

COPY: 1. Brief outline of data center workflow from point of delivery to the data center, through processing and final output distribution. Identify all processing steps and controls. (A flowchart is acceptable.)

SECTION 5: COMPUTER OPERATIONS

COPY:

1. Schedule of EDP equipment currently in use, including:

   A. Manufacturer's name, model number and main frame storage capacity.
   B. Type and version of operating system
   C. Peripherals
   D. Other major equipment
   E. Normal programming language in present use

2. If equipment is leased, indicate lessor's name, location, and terms of lease.

3. Operating schedule specifying:

   A. Number of hours per shift
   B. Number of shifts per day
   C. Number of days per week
   D. Applications processed during each shift

4. If there are arrangements for alternate data processing facilities as back-up in the event of extended equipment failure, please supply the following information:

   A. Copy of agreement with back-up facility
   B. Name and location of the facility
   C. CPU manufacturer and memory size
   D. Type and version of operating system
   E. Peripherals
   F. Its compatibility and availability of processing time
   G. Date last tested
   H. Distance from data center

REVIEW:

1. Computer operations standards and procedures manuals.

2. Management reports on operational efficiency

3. Emergency/Contengency plan.

SECTION 6: TELEPROCESSING

COPY: 1. Brief description of the teleprocessing system, including:

a) Managements philosophy and plans
b) Type of processing (batch or realtime update)
c) Physical security techniques
d) Software/hardware controlled security techniques (passwords, encrytion, etc)
e) Changes since the previous examination.

2. Schedule of Teleprocessing equipment currently in use, including:

e) Data communication equipment
b) Front end devices or terminal in use.

3. List of all terminals locations, including:

a) Corporate and/or department name
b) Primary user department
c) Type of terminal
d) Type of processing (on-line, off-line)
e) Applications processed
f) Transaction restrictions
g) Security (i.e. password, physical)

REVIEW: 1. Contengency plans for teleprocessing operations.

SECTION 7: CUSTOMER SERVICES

COPY: 1. List of all services provided and applications processed for financial institutions serviced, by source of charter, in the following format. Indicate any affiliate relationship.

National Banks

Bank name Applications processed

City, State

State Member Banks

Bank name Applications processed

City, State

State Non Member Banks

Bank name Applications processed

City, State

Savings and Loan Associations

Association name Applications processed

City, State

Credit Unions

Name Applications Processed

City, State

2. List of all services provided and applications processed for nonfinancial institution customers. Indicate the number of customers for each application and the approximate percentage of processing time devoted to these applications.

3. Sample copy of the service contract presently in use.

4. List of the name and location of each facility performing EDP services for this company and the respective applications processed (i.e. Microfiche, portfolio appraisal etc). Also indicate any applications scheduled for conversion.

SECTION 7: CUSTOMER SERVICES (continued)

5. If not a financial institution provide:

   a) Complete financial statements, preferably audited.

   b) List of officers, directors, and principal owners (10 percent or more) and their other business affiliations.

REVIEW: 1. Contracts with customers.

2. Contracts with EDP servicers.

3. Copies of letters of notice of service arrangements as required by law.

4. Customer complaint file.

5. User manuals

SECTION 8: MISCELLANEOUS

REVIEW:
1. Copy of the letter of Assurance. 209 CMR 15.03 (8) and/or Mass. GL Chap. 167B, Sec. 5(7)
2. Copy of letter(s) of notification to the Commissioner's Office to purchase or change equipment (recordkeeping) or to change servicers. MGL C.167 S.6
3. Date of last fire/emergency drill.
4. Schedule of delivery priorities for banks, branches, and user departments.
5. Copy of retention schedules for hardcopy, film, fiche.
6. Copy of recent feasibility studies.
7. Copies of documents submitted under the provisions of Chapter 167 B Electronic Branches and Electronic Fund Transfers.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 5-9 Equal Credit Examination

Equal Credit Opportunity Examinations

Since August, 1977 the Banking Department has conducted a program of Equal Credit Opportunity Examinations. The purpose of these examinations has been to review compliance with the procedures required by the State and Federal anti-credit discrimination regulations. These procedures are intended to minimize the likelihood of illegal credit discrimination.

I would like to bring to your attention problems which have appeared at many of the 165 financial institutions examined. Please review the attached summary and take remedial action where necessary. Particular attention should be paid to the definition of an application and the requirements in the case of an application, especially notifications and record retention. The Department has received consumer complaints alleging credit discrimination; upon investigation, application files have disappeared. The Department views the destruction of application files as a most serious equal credit violation and will act accordingly.

This restates letter dated 7/1/79

EQUAL CREDIT OPPORTUNITY EXAMINATIONS

COMMON VIOLATIONS

The following is a summary of common creditor problems with respect to the Massachusetts Commission Against Discrimination "Regulations Concerning Discrimination in Credit," effective September 1, 1977 and/or Federal Reserve Board Regulation B (12 CFR 202). A copy of the State regulation may be obtained from the State Book Store, State House, Room 116, Boston, MA. 02133 for 55¢ plus 35¢ postage, checks payable to The Commonwealth of Massachusetts. Copies of the Federal regulation may be obtained at no charge from the Regulations and Consumer Affairs Department, Federal Reserve Bank of Boston, 600 Atlantic Avenue, Boston, MA. 02106.

POSTING

1. Failure to post the "MCAD notice" in each place of business where loan applications are taken.
2. Failure to post the notice conspicuously.
3. Posting an obsolete notice, i.e., one which refers only to sex and marital status as prohibited forms of credit discrimination.
4. Posting an inaccurately worded notice.

APPLICATION FORMS

1. Failure to include the "other income disclosure".

APPLICATION RULES

1. Requesting or requiring a creditworthy, individual applicant to apply jointly with a spouse or other person. This is a particular problem regarding home mortgage applications.
2. Failure to understand what constitutes an application.
3. Asking marital status using prohibited terms.

MONITORING INFORMATION

1. Failure to establish a procedure to request the information.
2. Failure to request the information of both the applicant and joint applicant, if any.
3. Requesting the information in the case of refinance transactions.

OTHER RULES CONCERNING CREDIT

1. Requiring a spouse's signature on a loan note in the case of an individual application by a creditworthy person.

NOTIFICATIONS

1. Failure to establish a procedure to send the notifications.
2. Giving inaccurate or incomplete reasons for adverse action.
3. Failure to send a notification in the case of denied oral applications.

CREDIT FURNISHING

1. Failure to determine users of open-end accounts at the time of application (since June 1, 1977).
2. Failure to designate files so that the payment histories of contractually liable persons and users of open-end accounts are readily available.

RECORD RETENTION

1. Failure to retain all application forms.
2. Failure to retain written information used to evaluate applications.

POSTING

Section 13 of the State regulations requires creditors to post notice of the Massachusetts anti-discrimination law. There is no prescribed language for this notice. However, provided below are two wordings, either of which is acceptable:

"Massachusetts law prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract), or because all or part of the applicant's income derives from any public assistance program."

"Federal regulations and comparable provisions of Massachusetts law prohibit creditors from discriminating on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract), or because all or part of the applicant's income derives from any public assistance program. The Federal law also prohibits creditors from discriminating on the basis of good faith exercise of rights under the Consumer Credit Protection Act. The Federal agency which enforces this law in relation to this creditor is:

(Name and address of the appropriate Federal agency)

The State agency which enforces compliance with the State law is:

Massachusetts Commission Against Discrimination
One Ashburton Place
Boston, Ma. 02108"

Examples of inaccurate wording include (1) "good faith exercise of rights under the Consumer Credit Protection Act" as one of the State prohibited bases, (2) a toll free number for the MCAD (the number does not exist), and (3) the name and address of a Federal enforcement agency inappropriate for the creditor.

APPLICATION FORMS

Section 5 of the State regulations and section 202.5 of Regulation B outline prohibitions and requirements concerning application forms. In part, these require prior to any general inquiry concerning income a disclosure that income from alimony, child support, or separate maintenance payments need not be revealed if the applicant does not desire the creditor to consider such income in determining the applicant's creditworthiness. Many creditors continue to use forms which do not contain the disclosure prior to general income inquiries, such as "other income". Still other creditors use forms which contain the disclosure, but not placed prior to general income inquiries. Appendix B of Regulation B contains model forms which, though not necessarily required, are acceptable for use in Massachusetts.

APPLICATION RULES

1. Section 7(a) of the State regulation and 202.7(a) of Regulation B prohibit a creditor from refusing to grant an individual account to a creditworthy applicant on a prohibited basis. To avoid difficulties, it is suggested that when a person requests credit, the creditor ask if he/she is applying as an individual or jointly with another person. The creditor must not request or require a person to apply jointly with a spouse or other person, unless it is first determined that the individual applicant is not creditworthy under the creditor's normal standards. If this decision is made, the creditor may take adverse action on the application, request a joint applicant, or require a co-signer. When the creditor does request a joint applicant, or require a co-signer, it cannot request or require the joint applicant or co-signer to be the applicant's spouse.

2. The regulations and Federal Reserve Board unofficial staff interpretations have provided guidance as to what constitutes an application for credit. A copy of one of these interpretations is attached. It is clear that an application has been received when both of the following events occur: a. An individual requests credit either orally or in writing, by telephone, in-person, or through an agent; and, b. the creditor makes a credit decision.

3. Section 5(d)(1) of the State regulations and 202.5(d)(1) of Regulation B permit creditors to ask an applicant's marital status except where a person applies as an individual (rather than jointly with another person) for unsecured credit. When such an inquiry is permitted, only the terms married, unmarried, and separated may be used. Terms such as divorced, single, widowed, and others should not be used by the creditor.

MONITORING INFORMATION

Section 202.13 of the Federal regulation requires that information for monitoring purposes be requested of an applicant and joint applicant when a creditor receives a written application for consumer credit relating to the purchase of residential real property, where the extension of credit is to be secured by a lien on such property. This information request must include race/national origin (using the categories American Indian or Alaskan Native, Asian or Pacific Islander, Black, White, Hispanic, and Other), sex, marital status (using the categories unmarried, married, and separated), and age.

Some creditors still have failed to establish a procedure to request this information. Where this is the case, creditors should retroactively request this information of each applicant and joint applicant who made a written application since March 23, 1977. If an applicant or joint applicant chooses not to provide the information, the creditor should request the respective applicant to note this fact on the form. If an applicant or joint applicant refuses to both provide the information and to note this fact on the form, the creditor may make a notation on the form which explains this fact.

Some creditors fail to request the information of a joint applicant. In the case of joint applications, the information must be requested of both applicants.

OTHER RULES CONCERNING CREDIT

Section 7(d) of the State regulations and section 202.7(d) of the Federal regulation state, in part, that "a creditor shall not require the signature of an applicant's spouse or other person, other than a joint applicant, on any credit instrument if the applicant qualifies under the creditor's standards of creditworthiness for the type of credit requested."

A common situation arises where a creditor receives an individual application for mortgage credit to be secured by real property. Ownership is to be held by tenancy by the entirety by the individual applicant and the applicant's spouse. The individual applicant is creditworthy for the amount and type of credit requested. In order to secure the loan, the signatures of the individual applicant and the other titleholder are necessary on the mortgage only. The note should be signed by the individual applicant.

The principle applies to other forms of credit, whether secured or unsecured.

NOTIFICATIONS

Section 9 of the State regulations and 202.9 of Regulation B require that a notification of adverse action be sent to an applicant upon whom the creditor has taken adverse action.

Acceptable notification forms may be found within the cited section of the State regulations, but creditor designed forms may be used.

Some creditors have failed to establish a notification procedure. Where this is the case, notifications should be retroactively sent in the case of applications dated after March 23, 1977 on which the creditor has taken adverse action.

CREDIT FURNISHING

Section 10 of the State regulations requires that creditors determine whether an account offered by a creditor is one that the applicant will permit to be used by another natural person who is at least eighteen years of age and who is not the applicant's child or upon which such natural person shall be contractually liable; the account must then be designated to reflect the fact of this participation.

Examiners have found that many creditors cannot furnish credit information when given only the name of a user (for open-end credit) or contractually liable person on a joint account. This inability places many persons, particularly women who received credit jointly with their spouses or who use credit cards in their husband's name, at a disadvantage when they apply for credit individually. Creditors should review their own files to insure the ability to furnish credit information given the name of each appropriate user or contractually liable person.

Creditors are also reminded that information should only be furnished in the name of the person about whom a credit inquiry relates: creditors should not state any information concerning a person about whom the inquiry does not relate.

5-9.5 RECORD RETENTION

Section 12 of the State regulations and section 202.12 of the Federal regulation require that records of an application be retained for 25 months after the creditor notifies an applicant of action taken. This information includes, in part, any application it receives, any monitoring information required to be obtained, any written or recorded information used in evaluating an oral or written application, a copy of the notification of action taken (if furnished in writing), and a copy of the statement of specific reasons for adverse action, if appropriate.

Examiners have found evidence of missing application forms, evaluation information, credit reports, etc. Creditors are also reminded that in the case of oral applications, any written or recorded information used in evaluating the application, as well as a copy of the notification of adverse action, if any, must be retained for 25 months after notification of action taken. A good rule to follow is to retain all the documents for at least 30 months after the date of application.

Publication: #10,655-10-1,000-7-78-ch
Approved by Alfred C. Holland, State Purchasing Agent

UNPUBLISHED UNOFFICIAL STAFF INTERPRETATION

April 20, 1978

Ms. Lucy Griffin
Director, Consumer Division
Federal Home Loan Bank Board
1700 G Street, N. W.
Washington, D. C. 20552

Dear Ms. Griffin:

This responds to your March 17 letter requesting a staff interpretation of the definition of application (particularly the phrase "made in accordance with procedures established by a creditor . . .") in S 202.2(f) of Regulation B. Your inquiry concerns credit shopping and prescreening in residential mortgage lending and asks, in essence, when communications between prospective home buyers or real estate brokers and lenders cease to be shopping discussions and become applications made in accordance with a lender's procedures.

The Equal Credit Opportunity Act and Regulation B prohibit discrimination against credit applicants on nine specific bases. Unless a lender's policies or procedures discriminate against an applicant on a prohibited basis or have that effect, the lender may adopt any policies or procedures that it wishes (consistent with any other applicable laws). For that reason S 202.2(f) defines an application as a request "made in accordance with procedures established by a creditor for the type of credit requested."

The focus, however, is on a lender's actual practices, not its stated policies, governing each phase of the application process. For example, even though a real estate lender's stated policy is to require all applications to be in writing, if the lender makes a credit decision based on an oral request, then an application has been "made

in accordance with procedures established by (that) creditor . . . ." The question of whether a credit decision has been made is one of fact and turns, in the staff's opinion, on whether the lender has received sufficient information about the applicant or the collateral on which to base a credit decision (again, considering it actual practices) and whether the lender takes any action to reject the request or to discourage its further pursuit.

The following examples illustrate the staff's views on when an application has been received for Regulation B purposes in the context of residential real estate financing. Each example assumes that the lender has a stated policy of considering applications only when they are in writing.

Example A: Shopping Inquiry

A women telephones or meets with a loan officer and states that she is purchasing a home in the area and needs a loan. She asks about the lender's loan terms. The loan officer quotes the lender's current finance charge, maximum loan-to-value ratio, maximum maturity, and maximum loan amount. Since the finance charge may vary with the amount of the downpayment or mortgage insurance may be required, the loan officer asks the purchase price of the house and the amount of the contemplated downpayment in order to provide the correct loan term information. The woman supplies the requested information, writes down the loan terms, and concludes the conversation. Has an "application" come into being? No. Although the lender has received some information regarding the woman (the amount of the downpayment that she was available) and the property (the purchase price), it has not made any decision based upon that information.

Example B: Application is Made

Assume the same facts as in example A, except the woman, after learning the loan terms, asks for a 95% loan or states her income and asks whether she qualifies for a loan from the lender. The loan officer, for whatever reason, says no or indicates that there is little point in the woman's applying for a loan. Has an "application" for credit been made? Yes. The loan officer's willingness to reject or discourage the woman's loan request indicates that the request was made in accordance with the application process used by the lender.

Note that, although an application has been received, the lender may not have taken adverse action as defined in S 202.2(c) of Regulation B if applicable law prohibits the lender from making the requested loan or the lender does not extend residential mortgage

credit. Otherwise, adverse action has been taken, and the notification and record retention provisions of the regulation apply. If the application is conveyed via telephone and adverse action is taken, then the lender must request the applicant's name and address. If the applicant refuses to provide that information, then the lender, of course, has no further notification obligation.

Example C: No Application Made

Assume the same facts as in example B, except the loan officer, pursuant to the lender's uniform policy, tells the potential applicant (and all potential applicants, without exception) that applications can be considered only if they are in writing. The loan officer gives the potential applicant an application form (or, in a telephone conversation, perhaps offers to mail an application) and invites her to apply. The loan officer may provide general information about the lender's loan policies, but does not evaluate any information given voluntarily by the potential applicant. Has an application been made?

No, because the loan request was not made in "accordance with procedures established by the creditor for the type of credit requested." The lender insists uniformly on written applications before making any judgments. No evaluation has been made at this point, and the lender's procedure for taking a "request for an extension of credit" has been fully disclosed to the potential applicant. If the loan officer had made even a preliminary judgment and communicated it to the potential applicant (as in example B), then the request would have to be treated as an application since, by that action, the lender would be using an application process that involves an evaluation of oral requests for credit.

Example D: Application Is Made

A women telephones a financial institution and asks about obtaining a loan. The person answering the phone asks about the woman's income and the loan amount sought. The lender's employee determines that the woman's income is insufficient to handle the debt and tells the inquirer that submitting a written application would be a waste of time. Has an "application" been submitted? Yes. The employee's willingness to make a credit decision based on the information provided indicates that the request was made in accordance with the application process used by this particular lender.

Example E: No Application Made

A woman visits a financial institution and asks about obtaining a loan. The interviewing loan officer does not ask the woman about her income, but she volunteers the information anyway. The loan officer, instead of calculating the loan payment-to-income ratio, provides the woman with a simple explanation of the lender's policy on housing expense-to-income and debt-to-income ratios and invites the woman to submit an application if she wishes. No "application" has been submitted up to this point. Although a request for credit has been made, the application process used by the lender requires applications to be in writing. This fact has been communicated to the potential applicant, who has been invited to submit an application in the manner required of all applicants.

Example F: Application is Made

A real estate broker telephones a loan officer at a financial institution and asks if the lender will make a loan to a couple to finance the purchase of a particular piece of property. The broker outlines the couple's financial situation and the terms of the sale's contract. The lender has maintained a relationship with the broker for a number of years and regularly gives a preliminary indication as to whether it will make loans to the broker's clients. Has an "application" been made? Yes, the couple's request for credit was communicated to the lender by the broker. The fact that the lender was willing to evaluate the information provided and made a preliminary credit decision at that point is evidence that the request is an application for purposes of Regulation B.

As the examples above illustrate, the "procedures established by a creditor for the type of credit requested" are those procedures that are, in fact, employed. Lenders may not avoid their responsibilities under the Equal Credit Opportunity Act and Regulation B by invoking formal standards not consistently applied to all requests for credit.

I trust that this response clarifies when an application exists for purposes of Regulation B. If I can be of further assistance, please let me know.

Very truly yours,

Nathaniel E. Butler
Associate Director

4-19-78
RS-177
RNZ:NEB:sm
Tape #9

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 6-1 Finance Committee Co-operative Banks

I consider the following to be a minimum standard of performance acceptable for members of the Finance Committee.

Compliance with statutory requirements for annual audit (see Chapter 170, Section 41).

1. A meeting by the Finance Committee previous to the audit.

   (a) To review the last audit and examination reports.

   (b) Determine areas the auditor shall give special attention to.

   (c) Anticipate any new areas requiring attention.

2. Reasonable availability for consultation with the accountant during the course of the audit.

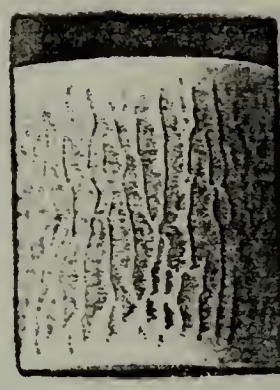
3. At the conclusion of the audit, review the audit with the accountant, previous to submission to the directors.

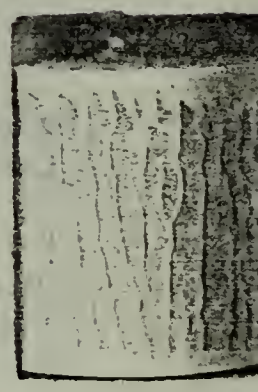
   (a) The meeting should be held without the officers of the bank being present except at the call of the committee while answering specific questions.

4. Upon receipt of the audit, a report of the committee should accompany the submission of the audit to the board.

I call to your attention that the Finance Committee answers to the board of directors and that the accountant answers to and reports to the Finance Committee, not the management.

Minutes of the meetings of the Finance Committee should be taken, along with attendance records. These records must be available for the examiners. The examiner will make appropriate remarks in his comments on the examination.





The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 6-2 Forward Placement or Delayed Delivery Contracts

Pursuant to the authority of Chapter 167, Section 6 of the Massachusetts General Laws, the following guidelines are issued to be effective January 1, 1980.

The policies and procedures will apply to outstanding contracts as well as those entered into after January 1, 1980. Policy statements with similar content are being adopted by federal regulatory agencies.

Definitions:

Forward Contracts: These are over-the-counter contracts for forward placement or delayed delivery of securities in which one party agrees to purchase and another to sell a specified security at a specified price for future delivery. Contracts specifying settlement in excess of 30 days following trade date shall be deemed to be forward contracts. Forward contracts are not traded on organized exchanges, generally have not required margin payments, and can only be terminated by agreement of both parties to the transaction.

Standby Contracts: These are optional delivery forward contracts on U.S. government and agency securities arranged between securities dealers and customers and do not currently involve trading on organized exchanges. The buyer of a standby contract (put option) acquires, upon paying a fee, the right to sell securities to the other party at a stated price at a future time. The seller of a standby (the issuer) receives the fee, and must stand ready to buy the securities at the other party's option.

Guidelines:

Banks that engage in forward and standby contract activities should only do so in accordance with safe and sound banking practices with levels of activity reasonably related to the bank's business needs and capacity to fulfill its obligations under these contracts. The following are minimal guidelines to be followed by banks authorized to participate in these markets.

1. The board of directors or trustees should consider any plan to engage in these activities and should endorse specific written policies in authorizing these activities. Policy objectives must be specific enough to outline permissible contract strategies and their relationship to other banking activities, and record keeping systems must be sufficiently detailed to permit internal auditors and examiners to determine whether operating personnel have acted in accordance with authorized objectives. Bank personnel are expected to be able to describe and document in detail how the positions they have taken in forward and standby contracts contribute to the attainment of the bank's stated objectives.

2. The board of directors or trustees should establish limitations applicable to forward and standby contract positions and review periodically (at least monthly) contract positions to ascertain conformance with such limits.

3. The bank should maintain general ledger memorandum accounts or commitment registers to adequately identify and control all commitments to make or take delivery of securities. Such registers and supporting journals should at a minimum include:

(a) the type and amount of each contract,
(b) the maturity date of each contract,
(c) the amount of money held in margin accounts.

4. All open positions should be reviewed and market values determined at least monthly (or more often, depending on volume and magnitude of positions), regardless of whether the bank is required to deposit margin in connection with a given contract.

5. Completed forward or standby contracts giving rise to acquisition of securities will require such security transactions to be recorded on the basis of the lower of contract price or market price on settlement date. If the market value of the securities is lower than the contract price, the difference should be recorded as an immediate charge against income.

6. Fee income received by a bank in connection with a standby contract should be deferred at initiation of the contract and accounted for as follows:

(a) upon expiration of an unexercised contract the deferred amount should be reported as income;
(b) upon a negotiated settlement of the contract prior to maturity, the deferred amount should be accounted for as an adjustment to the expense of such settlement, and the net amount should be transferred to the income account; or

(c) upon exercise of the contract, the deferred amount should be accounted for as an adjustment to the basis of the acquired securities. Such adjusted cost basis should be compared to market value of securities acquired. See item 5.

7. Bank financial reports should disclose in an explanatory note any forward and standby contract activity that materially affects the bank's financial condition.

8. To insure that banks minimize credit risk associated with forward and standby contract activity, banks should implement a system for monitoring credit risk exposure associated with various customers and dealers with whom operating personnel are authorized to transact business.

9. Banks should establish other internal controls including periodic reports to management and internal audit programs to assure adherence to bank policy, and to prevent unauthorized trading and other abuses.

The issuance of long-term standby contracts, i.e., those for 150 days or more, which give the other party to the contract the option to deliver securities to the bank will ordinarily be viewed as an inappropriate practice. In almost all instances where standby contracts specified settlement in excess of 150 days, supervisory authorities have found that such contracts were related not to the investment or business needs of the institution, but primarily to the earning of fee income or to speculating on future interest rate movements. Accordingly, banks should not issue standby contracts specifying delivery in excess of 150 days, unless special circumstances warrant.

This office intends to monitor closely bank transactions in forward and standby contracts to ensure that any such activity is conducted in accordance with safe and sound banking practices.

Date 12/10/79

If a present member of the Finance Committee feels he cannot meet the commitment of time, I suggest you accept his resignation. Before a director accepts an appointment to the committee, I suggest he becomes acquainted with these standards of performance.

Date: 5/1/79

Restatement of letter 11/30/76

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 7-1 Christmas in July

I am writing to you in July relative to your spirit of generosity and good will which is often expressed tangibly at the Christmas Season.

I consider it inappropriate for personnel of a regulatory agency to accept gifts, no matter how small, from the regulated or their related business.

A memo has been sent to the personnel of the Division of Banks advising them that the acceptance of gifts will make them subject to disciplinary actions, even dismissal.

If gift-giving has been a practice in the past or has been contemplated as a future activity, I ask you to refrain from your well-intentioned practice. Your cooperation will save embarrassment to our personnel and relieve them from the obligation of returning the packages.

While my letter addresses the Christmas Season, I presume you would understand that the message would apply throughout the year.

Your understanding of this administrative problem is appreciated.

Date: 11/19

Restatement of 7/8/76

MASS. AF24.8: A65/9-1A ✓

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

GOVERNMENT DOCUMENTS COLLECTION
NOV 25 1991
University of Massachusetts

Reference No. 9-1A
Issued: September 18, 1991

All Credit Unions
Chapter 167, section 2
Chapter 171, section 20 and section 26

Directive Governing Loans and Fees to Credit Union Officers and Directors and their Related Interests

Authority This directive is issued by the Commissioner of Banks under the authority of General Laws Chapter 167, section 2 and General Laws Chapter 171, section 20 and section 26.

Applicability and Scope The terms and conditions of this Administrative Bulletin apply to any extension of credit or fees paid to the directors, and certain officers of a credit union and their related interests. This Directive is intended to further implement the loan and reporting provisions of General Laws Chapter 171, section 20 and section 26. It is also designed to prohibit certain transactions with credit union insiders which may promote conflicts of interest that impose a significant threat to the safety and soundness of individual credit unions and their members.

Definitions The following terms shall have the following meanings unless the context otherwise requires:

"Commissioner" Commissioner of Banks.

"Immediate Family Member" A parent, stepparent, spouse, child, stepchild or any other relative living within the same household.

"Official" Any member of the Board of Directors, credit committee or auditing committee.

"Related Interests" Any individual having a common ownership, investment or other pecuniary interest in a business enterprise with an official or a senior management employee or with an immediate family member of an official or a senior management employee. The term shall also include immediate family members.

"Senior Management Employees" The President, Treasurer, Vice Presidents and such other officers established under General Laws Chapter 171, section 15. For the purpose of this Directive the term senior management employees shall also include members of their immediate families.

A. Prohibited Fees

A credit union shall not make any loan or extend any line of credit if, either directly or indirectly, any commission, fee or other compensation is to be received by the credit union's officials, senior management employees, loan officers, or any immediate family members of such individuals, in connection with underwriting, insuring, servicing, or collecting the loan or line of credit. However, salary for employees is not prohibited by this Section.

B. Extensions of Credit to Officials and Senior Management Employees

This section establishes procedures and other requirements for implementing the provisions of General Laws Chapter 171, section 20 and section 26.

1. Initial approval. All applications for loans or lines of credit on which an official or a senior management employee will be either a direct obligor or an endorser, cosigner or guarantor shall be initially acted upon by either the board of directors, the credit committee or loan officer, as specified in the credit union's bylaws.

2. Board of directors' review. The board of directors shall, in any case, review and approve or deny any application on which an official or a senior management employee is a direct obligor, or endorser, cosigner or guarantor. Approval of a loan to a director shall require a two-thirds vote of the other directors in accordance with General Laws Chapter 171, section 20.

3. Nonpreferential treatment. The rates, terms and conditions on any loan or line of credit either made to, or endorsed or guaranteed by: (i) an official or a senior management employee; (ii) an immediate family member of an official or a senior management employee; or (iii) any related interests of such official or senior management employee, shall not be more favorable than the rates, terms and conditions for comparable loans or lines of credit to all other credit union members.

Effective Date

This Directive shall govern all credit extensions for which an application is received on or after November 1, 1991.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 9-1 Insider Transactions All Banks and Credit Unions

Each bank should maintain a record of insider transactions requiring review and approval in a manner and form that will enable examiner personnel to identify such insider transactions. Information pertaining to the transactions should be readily accessible to examiners and shall include all documents and other material relied upon by the board in approving each transaction, including the name of the insider, the insider's position or relationship that causes such person to be considered an insider, the datethe transaction was approved, and the relevant terms and any other pertinent information which explains the basis for the board's decision. In addition statements made by directors or trustees who voted not to approve the transaction setting forth their reasons for such a vote should also be maintained.

Date: 11/15

This is restatement of Directive 11/10/78

DISCLOSURE AND APPROVAL REQUIREMENTS
INSIDER TRANSACTIONS

An insider transaction must be disclosed and approved if, either alone or when aggregated with the outstanding balances, involving assets or services which have a fair market value amounting to more than:

(a) $20,000 -- if the institution has less than $100,000,000 in total assets

(b) $50,000 - if the institution has more than $100,000,000-but less than $500,000,000 in total assets

(c) $100,000 - if the institution has more than $500,000,000 in total assets

The transaction must be specifically approved by the board of directors or trustees if it equals or exceeds the provisions of a,b, or c above. When an insider transaction becomes reportable because of aggregating past and present considerations and the total now equals or exceeds the provisions of a, b, or c above, the new total should be disclosed and approved as an insider transaction. Amounts paid by the institution to public utility companies which may involve insider considerations need not be reported or approved.

Compliance with the provisions of the above shall not relieve the institution from its duty to conduct its operations in a safe and sound manner nor prevent this department from taking whatever action it deems necessary to deal with specific acts or practices which, although they do not violate the above provisions are considered detrimental to the safety and sound operation of the institution.

DEFINITIONS

"Assets" include loans or other extensions of credit, (exclusive of credit card transactions) the purchase or sale of institution or its affiliates' assets, leases of property real or personal or payments made for membership dues, fees or charges other than for educational purposes.

"Services" include the purchase or sale of the institution or its affiliates' services, use of the institution's facilities, its real or personal property or its personnel. Payments for services rendered by an affiliated person in connection with a loan transaction to which the institution or its affiliate is a party, commissions and fees, including brokerage, management, consultant, architectural or legal, including those paid based on referral.

INSIDERS

(1) Directors, trustees, officers or controlling persons of an institution.

(2) The parent or stepparent, the spouse, the child or stepchild or any other relative who lives in an insider's house.

(3) A director, trustee, officer or controlling person of any majority owned subsidiary of the institution or of any parent company affiliation.

(4) Any corporation or organization (excluding non profit) of which a director, trustee, officer, or controlling person is a director, officer or partner or is directly or indirectly, alone or with a member of his immediate family (as defined in (2) above) the owners of 10 percent or more of any class of debt and/or equity of the corporation or organization, or the owner with other such persons (as defined in (1) above) or their immediate families (as defined in (2) above) 25 percent or more of the debt and/or equity of the corporation or organization.

(5) Any trust or other fiduciary in which such persons (as defined in (1) above or a member of the immediate family (as defined in (2) above) has a substantial beneficial interest or serves in a fiduciary capacity.

DEFINITIONS

"Director" and "trustee" does not include honorary or advisory directors or a director or trustee emeritus.

"Officer" includes only those who participate in major policy making functions of an institution. The term includes the president, secretary or clerk, treasurer, comptroller, and any vice presidents. It does not include assistant or second vice-presidents or other positions having similar authorities.

"Controlling person" is defined generally as a person or entity which effectively controls either alone or with other persons or entities 10 per cent or more of an institution.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 9-2 Lobbying

Governor Francis W. Sargent's program to control lobbying activities within the Executive Branch of Government consists of two parts:

(1) An Executive Order directing the reporting of lobbying activities by State officials and employees to whom such activities are directed, and

(2) An Administrative Regulation to be adopted by the Banking Department requiring regulated companies and individuals to report all of their lobbying activities on a regular basis.

The program became effective April 1, 1972. The Banking Department has now promulgated rules and regulations relative to Part (2).

Part (1) is already effective. Members of the Banking Department are required (i) to report every gift received, and (ii) to report every contact but routine receipt of reports and routine request for information.

The enclosed regulations will give effect to the purposes of Executive Order No. 85, Part 2.

The purpose of Order No. 85 is best expressed by a quote from the Order itself.

> "Whereas, the maintenance of public confidence in Government requires that the operation of regulatory agencies be conducted in an open and candid manner; and
>
> Whereas, the protection and furtherance of the public interest requires that public officials and public employees be at all times free of undue influence by special interests; and
>
> Whereas, full and prompt disclosure of lobbying activities and other contacts between regulatory agencies and persons and businesses subject to regulation thereby is essential to furthering these goals."

In issuing the Order the Governor commented on the goal to be reached:

> "Lobbying is a traditional part of the Democratic system. In itself, the practice is neither good nor bad. At best lobbying is healthy and plays a valuable role in the process of government.
>
> But it also carries with it a potential for wrongdoing that is obvious.
>
> The measures I have outlined today will go a long way toward permitting only the best form of lobbying to flourish."

I have outlined the Order, its scope, purpose and goal to insure compliance not only with its content but its spirit as well.

SECTION 2. Reporting Requirement: Every licensee shall, on or before the reporting date, file with the agency a statement, on oath, containing the following information:

a. The name and business address of the licensee.

b. The reporting period covered by the statement.

c. The total sum expended by the licensee on lobbying activities during the reporting period.

d. A complete list of every official action the outcome of which the licensee attempted to affect through lobbying activities during the reporting period, including, with respect to each such action, a description of the action, the intended result of such activities, and the total sum expended in connection therewith.

e. A complete list of all official contacts with the agency or any official thereof during the reporting period, including, with respect to each official contact so reported, the date, time of day, and place, the names of all individuals representing the licensee and of all agency officials involved, and the official action or actions discussed.

f. A complete list of every gift or gratuity given or provided during the reporting period to any official, directly or through any intermediary, including, with respect to each such gift or gratuity, the date of presentation, an exact description, the value, and the name of the recipient.

g. A complete list of every individual expenditure of ten dollars or more, other than those reported pursuant to the preceding paragraph, made by the licensee in connection with lobbying activities during the reporting period, including, with respect to each such expenditure, the date and nature of the expenditure and official action sought to be affected.

SECTION 3. Membership in Associations. If the licensee is a member of an association organized to promote the interests of the licensed business or profession of the licensee, the statement required by this regulation must be accompanied by a statement of the lobbying activities of said association on behalf of, or related to, matters substantially affecting the business of the licensee, such statement to contain the information relating to such activities required by Section 2 of this regulation. In lieu and in satisfaction of this requirement, an association may file such report directly with the agency.

SECTION 4. Statements Open to Public Inspection. All statements required to be filed by this regulation shall be considered public records and shall be open to public inspection.

REGULATIONS
OF
DIVISION OF BANKS AND LOAN AGENCIES

DISCLOSURE OF LOBBYING ACTIVITY

SECTION 1. Definitions. As used in this regulation the following terms shall mean:

"Lobbying activity", any activity undertaken for the purpose of influencing, either directly or indirectly through an agent or any other intermediary, Department of Banking and Insurance, Division of Banks and Loan Agencies, hereinafter referred to as "agency" or any official thereof to take or to refrain from taking any official action.

"Official", any officer, member or employee of agency.

"Official contact", any meeting, hearing (other than a public hearing required by law), telephone conversation, or written or other communication, or portion of any of the foregoing, between a licensee and an official, the purpose of which is to influence the agency or any official thereof to take or to refrain from taking any official action. "Official contact" shall not include the making of a mere request for inforamtion nor the filing of a written application, return, report, petition, or other public record required by law to be filed either 1) at regular periodic intervals, 2) at the request of the agency or 3) as a precondition for any official action of the agency.

"Official action", any action of the agency or any official thereof which the same is authorized or directed by law to take in its or his official capacity as such, including but not limited to any ruling, regulation, investigation, or administrative enforcement or disciplinary proceeding.

"Licensee", any person or business holding a license granted by this agency.

"Reporting date", June 30, 1973, and each following December 31 and June 30.

"Reporting period", six months.

"Expend" or "expenditure", shall include provision of goods services or other things of value.

"Sum expended", shall include the fair market value of any such goods, services or things of value.

"Gift or gratuity", any sum of money, goods, services or other things of value such as meals, refreshments, transportation, accommodations or entertainment donated or furnished free of charge or for less than fair market value.

I hereby certify that all statements contained on this reporting form and all Schedules required to be attached hereto are true to the best of my knowledge and belief and are hereby made subject to the penalties of perjury.

Date_____

_____

President
Secretary
Other authorized officer (specify)

9-2.3

Report Required by

Regulations of

Division of Banks and Loan Agencies

DISCLOSURE OF LOBBYING ACTIVITIES

To the Commissioner of Banks:

This report is submitted in compliance with the Regulations of the Division of Banks and Loan Agencies issued on December 28, 1972, requiring disclosure of sums expended, official contacts made, and gifts or gratuities provided in connection with lobbying activities with said Division.

(1) Name of business ("licensee"):_____

_____

(2) Business address:_____

_____

(3) Reporting period: _____

(4) Total sum expended on lobbying activities undertaken for the purpose of influencing official actions of said Division._____

(5) Did the licensee attempt to influence the outcome of any official action of said Division during the reporting period?_____
(If answer is "yes", attach Schedule L-1.)

(6) Did the licensee make any official contacts with said Division or any official or employee thereof during the reporting period? _____
(If answer is "yes", attach Schedule L-2.)

(7) Did the licensee give or provide any gift or gratuity to any official or employee of said Division during the reporting period?_____
(If answer is "yes", attach Schedule L-3.)

(8) Did the licensee make any expenditures of ten dollars or more, other than those listed in Schedule L-3, in connection with lobbying activities during the reporting period? _____
(If answer is "yes", attach Schedule L-4.)

(9) Is the licensee a member of an association which: (a) is organized to promote the interests of the regulated business of the licensee; (b) engaged during the reporting period in lobbying activities on behalf of , or related to, matters substantially affecting said business; and (c) has not notified the licensee in writing that such association has filed or will file with said Division a report of such lobbying activities?_____
(If answer is "yes", attach Schedule L-5.)

(over)

9-2.4

COMMONWEALTH OF MASSACHUSETTS

Division of Banks and Loan Agencies

DISCLOSURE OF LOBBYING ACTIVITIES

SCHEDULE L-1: Official Actions

Name of business ("licensee"):_____
Reporting period:_____

List below all official actions of the Division of Banks and Loan Agencies which the licensee attempted to influence through lobbying activities during the reporting period. In each case, describe the official action and specify the intended result of such lobbying activities and the total sum expended.

---

1. Description of official action:_____
_____
Intended result:_____
_____
_____Sum expended:_____

2. Description of official action:_____
_____
Intended result:_____
_____
_____Sum expended:_____

3. Description of official action:_____
_____
Intended result:_____
_____
_____Sum expended:_____

4. Description of official action:_____
_____
Intended result:_____
_____
_____Sum expended:_____

5. Description of official action:_____
_____
Intended result:_____
_____
_____Sum expended:_____

(Attach additional sheets if necessary to list all official actions.)

9-2.5

COMMONWEALTH OF MASSACHUSETTS

Division of Banks and Loan Agencies

DISCLOSURE OF LOBBYING ACTIVITIES

SCHEDULE L-2: Official Contacts

Name of business ("licensee"):_____
Reporting period:_____

List below all official contacts between the licensee and officials or employees of the Division of Banks and Loan Agencies undertaken during the reporting period for the purpose of influencing any official action of said Division, officials or employees.

In each case, specify the date and time of day, place (or if not a personal contact, the type of communication), the names of all individuals representing both the licensee and the Division, and the official actions discussed.

---

1. Date:_____ Time:_____
Place (or type of communication):_____
Persons representing licensee:_____
_____
Persons representing Division: _____
_____
Official action:_____

2. Date:_____ Time:_____
Place (or type of communication):_____
Persons representing licensee:_____
_____
Persons representing Division: _____
_____
Official action:_____

3. Date:_____ Time:_____
Place (or type of communication):_____
Persons representing licensee:_____
_____
Persons representing Division: _____
_____
Official action:_____

4. Date:_____ Time:_____
Place (or type of communication):_____
Persons representing licensee:_____
_____
Persons representing Division: _____
_____
Official action:_____

(Attach additional sheets if necessary to list all official actions.)

9-2.6

COMMONWEALTH OF MASSACHUSETTS

Division of Banks and Loan Agencies

DISCLOSURE OF LOBBYING REGULATION

SCHUDULE L-3: Gifts and Gratuities

Name of business ("licensee"):_____
Reporting period:_____

List below all gifts or gratuities given or provided by the licensee to any official or employee of the Division of Banks and Loan Agencies during the reporting period.

In each case, specify the date of presentation, an exact description, the value and the name of the recipient.

---

1. Date:_____ Description:_____
_____
Value:_____ Recipient:_____

2. Date:_____ Description:_____
_____
Value:_____ Recipient:_____

3. Date:_____ Description:_____
_____
Value:_____ Recipient:_____

4. Date:_____ Description:_____
_____
Value:_____ Recipient:_____

5. Date:_____ Description:_____
_____
Value:_____ Recipient:_____

6. Date:_____ Description:_____
_____
Value:_____ Recipient:_____

7. Date:_____ Description:_____
_____
Value:_____ Recipient:_____

8. Date:_____ Description:_____
_____
Value:_____ Recipient:_____

(Attach additional sheets if necessary to list all gifts and gratuities.)

9-2.7

COMMONWEALTH OF MASSACHUSETTS

Division of Banks and Loan Agencies

DISCLOSURE OF LOBBYING ACTIVITIES

SCHEDULE L-4: Lobbying Expenditures

Name of business ("licensee"):_____
Reporting period:_____

List below every individual expenditure of ten dollars or more, other than those reported on Schedule L-3, made by the licensee during the reporting period in connection with lobbying activities undertaken to influence any official action of the Division of Banks and Loan Agencies.

In each case, specify the date, the nature and amount of such expenditure and the official action sought to be influenced.

---

1. Date:_____ Amount:_____
Nature:_____
Official action:_____

2. Date:_____ Amount:_____
Nature:_____
Official action:_____

3. Date:_____ Amount:_____
Nature:_____
Official action:_____

4. Date:_____ Amount:_____
Nature:_____
Official action:_____

5. Date:_____ Amount:_____
Nature:_____
Official action:_____

6. Date:_____ Amount:_____
Nature:_____
Official action:_____

7. Date:_____ Amount:_____
Nature:_____
Official action:_____

8. Date:_____ Amount:_____
Nature:_____
Official action:_____

(Attach additional sheets if necessary to list all expenditures.)

9-2.8

COMMONWEALTH OF MASSACHUSETTS

Division of Banks and Loan Agencies

DISCLOSURE OF LOBBYING ACTIVITIES

SCHEDULE L-5: Lobbying Activities of Associations

Name of business ("licensee"):_____
Reporting period:_____

For each association of which the licensee is a member and which engaged in otherwise unreported lobbying activities on behalf of, or in connection with matters substantially affecting the business of the licensee, identify the association, its business address, and all information relating to such lobbying activities as is required to be detailed by Schedules L-1, L-2, L-3 and L-4.

---

1. Name of association:_____
Business address:_____

a. Total sum expended:_____

b. Official actions:

c. Official contacts:

d. Gifts and gratuities:

e. Expenditures:

2.

(Attach additional sheets if necessary to list all required information.)

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 9-3 Exclusive Lease Agreements

Since decisions on branch applications are based upon a determination of "public convenience and necessity", it would indeed be unfortunate for that determination to be frustrated by private agreements. Exclusive lease provisions and restrictive covenants which have the effect of regulating or limiting competition have come to the attention of my office, and we would like to determine the prevalence and scope of such practices.

The use by banks and credit unions of exclusive lease provisions and other restrictive covenants affecting the location of competing bank offices is a matter of serious concern to the Department for two reasons: (1) such arrangements frustrate competition and are antithetical to the public interest objective of promoting new branches to serve the convenience and advantage of bank customers; (2) the use of such arrangements may expose a bank to antitrust liability under federal law (restraint of trade, monopolization, or unfair methods of competition) and therefore constitute an unsafe or unsound practice.

Restrictive arrangements of concern to the Department include, but are not limited to, situations such as those in the following examples:

(I) A landlord or lessor agrees not to lease, consent to sublease or sell land or facilities to a competitor of a bank tenant or lessee, or, any such competitive use is conditioned on the prior consent of the bank tenant or lessee.

(II) A bank as owner or lessor of any property, either directly or indirectly through affiliated companies, individuals, or trusts, refuses to sell or lease such property on reasonable terms to another bank or financial institution of any kind.

(III) A bank includes in the deed of any property sold by it a covenant restricting the buyer from selling or leasing the property to any bank or other financial institution.

The above examples are presented solely to illustrate the scope of the Department's concern about restrictive arrangements rather than as an exhaustive list of types of such arrangements or understandings.

Pending the outcome of this study all banks and credit unions are encouraged to desist from entering into or promulgating any such restrictive arrangement as of this date and to make every possible effort to eliminate at the earliest possible time any restrictive arrangement to which they are presently a party.

Date: 7/1/79

Restatement of letter 9/17/76

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 13-1 Mashpee

Members of the House Ways and Means Committee of the General Court discussed with me the Town of Mashpee's financial problems resulting from the Indian Council's suit. As a result of their concerns, I expressed a willingness to write to you, one of the banks having mortgages in the Town, to encourage you to continue to act with forbearance in this difficult situation.

Foreclosure is one area of great concern. I expressed the view that banks could be expected to consider that problem on a case by case basis and that banks would not be anxious to foreclose because the bank could not sell the property under present conditions and R.I.P. is a non-earning asset.

The representatives were also quite concerned about the inablility of individuals to sell their property and the dire financial straits that this has caused some people. The Department recognizes that making mortgage loans on your part may be difficult given your responsibilities to depositors and stockholders. However, to the extent that you can, I trust that the bank will be taking positive action to prevent additional personal hardship in a time of economic uncertainty for the Town.

A further concern is the fear that banks that usually bid on the Town's tax anticipation notes will not do so this year. If your bank has in the past bid on these notes and will be doing so this year, I recommend that you communicate to the selectment of the Town your policy so that anxiety over this problem can be alleviated.

I know that you have acted with forbearance up to now and that the dragging out of this case is difficult for everyone involved. I solicit your cooperation with the Town and its residents for your mutual benefit.

Date: 7/1/79

Restatement of letter 10/17/77

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 13-1a Mashpee

Several selectmen and residents of the Town of Mashpee recently met with me and representatives of the Governor's office to discuss the Town's financial problems resulting from the Indian Council's suit. As a result of their concerns, I expressed a willingness to write to you, one of the banks having mortgages in the Town. Many of their fears would be alleviated if they knew how the banks were going to react.

Foreclosure seemed to be the area of greatest concern. I expressed the view that banks would consider that problem on a case by case basis. I explained that banks are not anxious to foreclose (1) because of the problems involved, (2) they are not in the real estate business, and (3) R.I.P. is a non-earning asset. In addition, I pointed out that banks have obligations as prudent lenders to exercise restraint on the foreclosure of residential mortgages where inability to pay is due to adverse economic conditions and is a condition where relief might be available and effective. Such restraint is not only good banking practice, especially under the unusual conditions in Mashpee, but is consistent with the provisions of the Housing Authorization Act of 1976 (Public Law 94-375) which extended the Homeowners' Relief Act to October 1, 1977.

The selectmen were also quite concerned about foreclosures on commercial loans (i.e. real estate developers) due to reduced cash flows resulting from the suit. The Department recognizes that forbearance on your part may be difficult in discharging your responsibilities to depositors and stockholders. However, to the extent that you can grant forbearance to mortgagors, the bank will be taking positive action to prevent additional personal hardship in a time of economic uncertainty for the Town.

I would suggest that you communicate to the selectmen of the Town of Mashpee what your policy is and will be. This knowledge would help allay many of the fears of the residents. The thought was expressed by the group meeting with me, that they wanted to meet before any serious problems arose. I pass that prudent thought on to you. I solicit your cooperation with the Town and its residents for your mutual benefit.

Date: 7/1/79

Restatement of letter 11/18/76

13-2B

The Commonwealth of Massachusetts

Office of the Commissioner of Banks

State Office Building, Government Center
100 Cambridge Street, Boston 02202

EDWARD J. KING
GOVERNOR

GERALD T. MULLIGAN
COMMISSIONER

July 8, 1981

To The Individual or Institution Addressed:

Attached is a copy of the Division of Bank's Administrative Bulletin 13-2B, which sets forth final state standards governing adjustable rate mortgage loans (ARMs). This bulletin supercedes Administrative Bulletins 13-2A, 13-3A, and 13-4A and the ARM standards established therein.

The final standards differ in several respects from proposed standards drafted by the Division and distributed for comment on May 27, 1981. These include:

(1) The effective date of the new standards is established. The standards are to take effect immediately, although a three-month grace period is provided for lenders issuing loans under previous ARM standards.

(2) Rate adjustment procedures are clarified.

(3) Definitions relating to rate review, rate adjustment, and payment adjustment are clarified. In particular, the dates of rate adjustment, which are necessary to establish adjustment intervals, are considered those dates on which a new rate of interest is applied to outstanding principal.

(4) Discussion related to payment adjustment procedures is modified to highlight the fact that these are subject to certain statutory limitations. This stems from a variety of inquiries on the subject of negative amortization, which, in the Division's view, is not readily available, except in certain situations, to state-chartered depository institutions under the Massachusetts General Laws.

Any policy questions relating to this Administrative Bulletin should be directed to John Heerwagen (617) 727-0529. Any questions regarding compliance should be directed to Hal Norton (617) 727-3141.

Very truly yours,

Gerald T. Mulligan

Gerald T. Mulligan

EDWARD J. KING
GOVERNOR
GERALD T. MULLIGAN
COMMISSIONER

The Commonwealth of Massachusetts

Office of the Commissioner of Banks

State Office Building, Government Center
100 Cambridge Street, Boston 02202

April 16, 1982

TO THE INDIVIDUAL OR INSTITUTION ADDRESSED:

In response to various inquiries, the Division of Banks is authorizing the following rate adjustment mechanism for adjustable rate mortgages (ARMs):

> "Adjustment according to the movement of the weekly average yield on United States Treasury securities adjusted to a constant maturity of five years, as published by the Federal Reserve Board."

This action is taken pursuant to authorities granted under Section 70 of Chapter 167 and Section 60 of Chapter 183 of the Massachusetts General Laws, and it is effective immediately. It is intended primarily to allow state-chartered institutions to participate in ARM Plan Six of the Federal National Mortgage Association, although use of the index need not be restricted to this program. Importantly, the new index should be considered an addition to those previously authorized under "Rate Adjustment Mechanism" of the Division's Administrative Bulletin 13-2B, Adjustable Rate Mortgages, until such time as the Bulletin may be rewritten.

Inquiries have also been made regarding use of graduated payment features in connection with fixed or adjustable rate mortgages. State-chartered institutions are authorized to make mortgage loans with graduated payment features in accordance with Section 35 of Chapter 168, Section 24 of Chapter 170, Section 24 of Chapter 171, or Section 55 of Chapter 172. These statutes impose various conditions and restrictions on graduated payment mortgages (GPMs), and they should be consulted prior to initiating a GPM program. Please be advised that, pursuant to the GPM statutes, the Division defines a "conventional mortgage" as one which amortizes on a positive basis throughout the life of the loan.

Very truly yours,

Gerald T. Mulligan

GTM/emc

MASS. AF24.8:A65/ref 13-2B

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. For inclusion with 13-2B
September 25, 1985 Adjustable Rate Mortgages

TO THE INDIVIDUAL OR INSTITUTION ADDRESSED:

Chapter 224 of the Acts of 1985 overriding the Garn-St. Germain preemption of state authority to regulate alternative mortgages takes effect on October 1, 1985. The Division of Banks has been working closely with industry representatives to develop new guidelines to replace Administrative Bulletin 13-2B. These guidelines will not be ready by October 1, however. Therefore, authority is hereby granted to state-chartered banks to continue to write alternative mortgage instruments under the appropriate regulations permitted by the Depository Institutions Act of 1982. This includes Administrative Bulletin 13-2B which remains in effect for those institutions writing adjustable rate mortgages under its provisions. This authority will remain in effect only until the new guidelines from this Office are issued.

Very truly yours,

Paul E. Bulman
Commissioner

GOVERNMENT DOCUMENTS
COLLECTION
OCT 29 1985
University of Massachusetts
Depository Copy

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 13-2B Adjustable Rate Mortgages

MEMORANDUM ON ADJUSTABLE RATE MORTGAGES

AUTHORITY

Section 70 of Chapter 167 of the General Laws of the Commonwealth authorizes the Commissioner of Banks to impose conditions and restrictions on certain variable rate mortgage loans offered by state-chartered depository institutions. Section 60 of Chapter 183 authorizes the Commissioner to impose conditions and restrictions on certain mortgage notes which will not amortize attendant loans by maturity. Pursuant to these authorities, the Commissioner herein establishes standards governing adjustable rate mortgages generally. The standards supercede related standards previously established in Administrative Bulletins 13-2A, 13-3A, and 13-4A.

APPLICABILITY

The conditions and restrictions outlined in this Administrative Bulletin apply to adjustable rate mortgages secured by first liens on one-to-four family properties occupied or to be occupied in whole or in part by the borrowers. Such loans include those made or acquired by state-chartered institutions pursuant to Section 70 and Section 71 of Chapter 167 and those loans subject to Section 60 of Chapter 183.

This Administrative Bulletin is effective immediately and thus applies to adjustable rate mortgages for which applications are received on or after July 8, 1981. However, lending institutions may continue to issue commitments in connection with loans made under Administrative Bulletins 13-2A, 13-3A, and 13-4A until September 30, 1981.

DESCRIPTION

Loans addressed by this Administrative Bulletin are of two types, both of which are considered adjustable rate mortgages. One type envisions a long-term note on which the rate of interest is periodically adjusted over the life of the note. The other type envisions a short-term note which is written at a fixed rate of interest and which is renewed or extended upon maturity at a new rate of interest. This latter type, previously addressed in a separate Administrative Bulletin, is now addressed in the same Bulletin as long-term notes because of the similarity of the instruments. To that end, the maturity dates of short-term notes shall coincide with the rate adjustment dates normally associated with long-term notes.

FORM OF NOTE

Neither the note nor any rider attached thereto nor any other loan document shall include a provision which states that the rate adjustment procedures and limitations governing the loan may change upon some future action not directly controllable by the borrower, including sale of the loan or changes in governing statutes or standards. The loan documents may, however, provide for the lender to select a new index for rate adjustments if the originally selected index is no longer available. Any such provision shall ensure that the substitute index will have characteristics similar to the original index or be based on similar information and that the borrower will be notified of the index substitution.

Further, any short-term note used in an adjustable rate mortgage loan shall be renewed or automatically extended upon maturity, unless declined by the borrower for purposes of prepaying the loan. The only changes in the initial terms and conditions of the loan which may be effected through note renewal or extension shall be changes in the interest rate and regular payments.

RATE ADJUSTMENTS

All rate adjustment procedures and limitations shall apply to the simple or contract rate of interest on the note, not the annual percentage rate. No fees shall be charged in connection with rate adjustments and, if short-term notes are used, with note renewal or extension.

FREQUENCY OF RATE ADJUSTMENTS

If for rate adjustments the lender is using an authorized index beyond his direct control, the first rate adjustment shall be at a predetermined date no sooner than six months after closing. Subsequent adjustments shall be at fixed intervals, stated in the loan documents, of no less than six months. If the lender is using his own mortgage rate for rate adjustments, the first adjustment shall be at a predetermined date no sooner than three years after closing. Subsequent adjustments shall be at fixed intervals, stated in the loan documents, of no less than three years.

NOTIFICATION REQUIREMENTS

The lending institution shall give the borrower at least thirty days notice of rate adjustments. The lender shall specify the applicable rate of interest, give an explanation of the rate adjustment, and otherwise undertake procedures to ensure effective notification. As confirmation that proper rate reviews and adjustments have been conducted, notice shall be given whether the rate has increased, decreased, or remained the same.

RATE ADJUSTMENT LIMITATIONS

Adjustments in the rate of interest shall be limited in the following manner outlined, as appropriate, in the loan documents:

(1) Any rate increase warranted by the selected rate adjustment mechanism shall be at the option of the lender; any rate decrease warranted by the selected rate adjustment mechanism shall be mandatory.

(2) The lending institution may, but need not, impose standards for minimum rate adjustments. If done, minimum limitations for rate increases shall equal minimum limitations for rate decreases.

(3) If for rate adjustments the lender is using an authorized index beyond his direct control, the lender may, but need not, impose standards for maximum rate adjustments. If done, maximum limitations for rate increases shall equal maximum limitations for rate decreases.

(4) If the lender is using his own mortgage rate for rate adjustments, maximum rate increases at any one adjustment date shall be limited to 100 basis points times the number of years in the adjustment interval but in no event more than 500 basis points; required decreases warranted by the rate adjustment mechanism shall be subject to the same numerical limitations. The lender may, but need not, impose maximum rate adjustment limitations which are less than the maximum adjustments specified herein. If done, maximum limitations for rate increases shall equal maximum limitations for rate decreases.

RATE ADJUSTMENT MECHANISM

Subject to the above limitations, adjustments in the rate of interest shall be in accordance with one of the following mechanisms specified in the loan documents:

(1) Adjustment according to the movement of the national average contract rate on mortgage loans closed for the purchase of previously occupied homes by all major types of lenders ("Contract Interest Rate, Purchase of Previously Occupied Homes, National Average for All Major Types of Lenders"), as published by the Federal Home Loan Bank Board. Lenders who have been using previously authorized indices ("Effective Rate, All Loans" or the FHA maximum rate) may continue to use these indices for new loans.

(2) Adjustment according to the movement of an index which the Commissioner may determine appropriate given the needs of borrowers and the secondary mortgage market.

(3) Adjustment to a rate not exceeding the lender's then current contract or simple rate on new loans of similar type.

If the lender is using an index beyond his direct control, any increase in the rate of interest shall not be more and any decrease shall not be less than the increase or decrease, respectively, in the index, subject to selected rate adjustment limitations. The index values to be used in the rate adjustments shall be the most current available as of dates which are specified in the loan documents and which allow for proper notification of the borrower. The lender shall use the raw and not rounded or averaged values of the selected index to compute rate adjustments; the lender may, however, apply consistent and equitable rounding procedures to the newly computed rates or rate changes.

In using an index, the lender may, but need not, adopt a policy of accumulating and carrying over changes in the index which are warranted but which are not taken either at the option of the lender or because they are too large or too small in light of selected rate adjustment limitations. This policy may be presented in several manners but shall provide that resultant changes in the note rate are subject to the rate adjustment limitations outlined herein.

If the lender is using his own mortgage rate for rate adjustments, policies and procedures for implementing this adjustment mechanism shall be applied as consistently as practicable and shall not be manipulated by the lender solely to produce favorable rate adjustments over any short period of time. Further, dates for calculating rate adjustments shall be specified in the loan documents and be sufficient to provide proper notification of the borrower.

If at the date of rate calculation the lender is not offering new loans of similar type, adjustments in the rate may be made to a rate not exceeding the most current available value of an index otherwise authorized herein. Alternatively, adjustments in the rate may be made to achieve the same numerical difference between the note rate and the index as existed upon closing of the loan. One of these two contingency procedures shall be specified in the loan documents and adhered to throughout the loan.

PAYMENT ADJUSTMENT MECHANISM

Subject to statutory limitations on loan maturity and amortization, adjustments in the rate of interest shall be effected through adjustments in the amount of the regular payments due from the borrower, adjustments in the number of such regular payments, or adjustments in the amount of principal owed. The loan documents shall specify a single system of payment adjustment (which may involve more than one of the aforementioned mechanisms) or shall specify a combination of mechanisms from which, at each rate adjustment, the borrower may choose.

PREPAYMENT PENALTY

For adjustable rate mortgages written on one-to-three family, owner-occupied properties, there shall be no penalty for prepayment of principal except as may be allowed under Section 56 of Chapter 183 of the General Laws.

APPLICATION DISCLOSURE

Application materials regarding adjustable rate mortgages shall comply with the requirements of Section 17B of Chapter 184 of the General Laws. In addition to the rate of interest to be charged, application materials shall specify the circumstances under which the rate may increase and any limitations on the increase. Application materials may also contain optional information, including numerical examples of rate adjustments and historical data on the selected rate adjustment mechanism.

TRUTH-IN-LENDING DISCLOSURE

Truth-in-Lending materials relating to adjustable rate mortgages shall comply with state or federal requirements, as applicable.

OPTIONAL FEATURES

Without hereby limiting the options, adjustable rate mortgages may provide optional features not otherwise specified herein, including prepayment without penalty, mortgage assumability or portability, discounts off conventional mortgage rates, or open lines of credit drawn against the borrower's equity in the mortgaged property.

MEMORANDUM CHANGES

The conditions and restrictions outlined in this Administrative Bulletin may change at some future date at the discretion of the Commissioner.

MASS. AI 24.8: A65

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 13-2C (Revised) Adjustable Rate Mortgages

Reissued: March 15, 1986 Effective: April 7, 1986

MEMORANDUM ON ADJUSTABLE RATE MORTGAGE LOANS

AUTHORITY

Paragraph 10 of Subsection B of Section 2 of Chapter 167E of the Massachusetts General Laws authorizes the Commissioner of Banks to impose conditions and restrictions on certain variable rate mortgage loans offered by state-chartered depository institutions. Section 60 of Chapter 183 authorizes the Commissioner to impose conditions and restrictions on certain mortgage notes which will not amortize attendant loans by maturity. Chapter 224 of the Acts of 1985 overrides the Federal preemptions in the Garn-St. Germain Depository Institutions Act of 1983 relative to alternative mortgages. Pursuant to these authorities, the Commissioner herein establishes standards governing adjustable rate mortgage loans. These standards supersede related standards previously established on adjustable rate mortgage loans.

APPLICABILITY

The conditions and restrictions outlined in this Administrative Bulletin apply to adjustable rate mortgage (also referred to herein as ARM) loans secured by first liens on one-to-four family properties occupied or to be occupied in whole or in part by the borrowers. Owner-occupancy, and therefore applicability, is determined when the loan application is reviewed as a non-commercial loan. Such loans include those made or acquired by state-chartered depository institutions pursuant to Paragraph 10 of Sections 2 of Subsection B of Chapter 167E and those loans subject to Section 60 of Chapter 183 of the Massachusetts General laws. Any sale of mortgage loans or the servicing of that mortgage loan must be subject to the continued applicability of these guidelines. "Non-Securitized" loan participations are also subject to the guidelines even where the whole loans are held by a non-regulated originator.

These guidelines do not apply to certain types of variable rate loans at the present time. The types of loans are: open-end lines of credit; "bridge" loans; construction loans; and any other type of temporary financing, excluding balloon mortgages, intended by the parties to be of short duration. Commercial loans partially secured by a first lien on an owner-occupied property and intended for non-consumer business purposes are also excluded.

Loans that are fully secured by a first lien on applicable property occupied by the mortgagor are subject to the guidelines unless the criteria considered in granting the loan was that reviewed for a non-consumer loan. It is the lender's responsibility to fully document the criteria considered for these loans. This data must be made available for bank examiner's review.

This Administrative Bulletin is effective April 7, 1986 and applies to adjustable rate mortgage loans for which applications are received on or after that date.

DESCRIPTION

An adjustable rate mortgage loan has features -- usually the payment, the term, or the principal balance -- which can change to reflect a change in the interest rate. The interest rate can change at previously scheduled intervals to reflect the movement of a regional or national index measuring prevailing market rates and conditions in accordance with rules and procedures specified in the loan product description and contract documents. The conditions and restrictions herein identify parameters to the selection of those rules and procedures. Both long-term notes where short-term non-amortizing or partially-amortizing loans written at a fixed rate or interest which is renewed or extended upon maturity at a new rate of interest are addressed herein. If an adjustable rate mortgage loan design component or adjustment procedure is not permitted in these guidelines, it cannot be used until or unless express authority has been granted by the Commissioner. Because it is the intent of this restriction to encourage stabilization of adjustable rate mortgage designs but not to discourage product innovation, all requests for advisory rulings or additions to these guidelines will be handled expeditiously.

1.00 ADJUSTABLE RATE MORTGAGE LOAN PRICE STRUCTURE

1.01 General Description. All adjustable rate mortgage loan prices, or interest rates, must be based on the sum of the value of a specific index at a particular point in time plus a margin. The lender may select the point in time during the application process that the index is fixed and the initial interest rate of the loan is set or may allow the borrower to do so. The term "application process" includes the time between the submission of a completed loan application and closing. The margin selected may be a positive number, a negative number, or zero.

1.02 Index. A mortgagee may use as an interest rate index any regional or national measure of market rates of interest. The index used may be either a single value as of a particular date or a moving average of a particular measure of rate change over a particular period of time. In either case, the index selected must be readily available to and verifiable by the borrower and beyond the control of the mortgagee or any one bank.

In selecting an index for a particular adjustable rate mortgage loan product, the mortgagee will identify the name of the index and the name of the publication where it can be found in either the mortgage note or in the mortgage product description sheet required by Section (6.04). The Division will equally enforce the requirements of this section whether they are set out in the mortgage note or in the mortgage product description sheet. The term "most recently available index" will mean that value most recently published in the designated publication prior to the rate setting or rate adjustment time.

1.03 Margin. A mortgagee may choose any number of percentage points to add to the index value as a margin at the time the adjustable rate mortgage loan product is designed. The chosen margin is integral both to the structure of the ARM loan product design and any one loan and must remain constant.

1.04 Amortization Requirements. The loan may be fully amortized, partially amortized, or non-amortized for up to the first ten years, but payments must then amortize over the remaining term of the loan as required by section 3A of Chapter 167E of the Massachusetts General Laws.

1.05 Introductory Discounts. A mortgagee may offer a mortgage loan where the initial interest rate on the mortgage loan is less than the sum of the most recently available index value plus the margin, but only when no cash payment has been made to reduce the interest rate. In that case, the initial rate is determined to be an "introductory discount" and must be referred to as such in all advertising and promotional materials along with information about the regular price of the mortgage loan and information regarding the term. In no case may the amount of interest discounted at origination be carried over or deferred to a future adjustment.

2.00 ADJUSTABLE RATE MORTGAGE LOAN OPTIONS

2.01 General Description. The ARM price structure (the most recently available index value plus the margin) may be modified either at origination or at the time of rate adjustment according to rules and procedures specified by any of the following permissable loan options if included in the note at origination.

2.02 Buydown. A "buydown" is defined as being a temporary or permanent reduction in the interest rate, below the sum of the index value plus the margin, that is purchased with a cash payment to the mortgagee by either the borrower or a third party. This cash payment may or may not be in the form of "points" over and above those permitted the underwriter for reimbursement of reasonable underwriting expenses or the additional points that may be charged to reimburse the underwriter for expenses paid by the underwriter for the sale of a mortgage loan in the secondary market, as provided for in Administrative Bulletin 13-5 and any subsequent amendments to it.

This cash payment must be placed in an escrow account. The payment differential between the index value plus the margin and the bought-down interest rate shall be drawn from this account on a periodic basis during the term of the buydown. The loan contract must be written at the index value plus the margin and must contain specific information about the source and the amount of the buydown. The rules and procedures for the operation of the buydown and the administration of the escrow account must be specified. If the loan is prepaid before the end of the buydown period, the remaining balance in the escrow account must be returned to the borrower.

2.03 Rate Caps. A mortgagee may choose to limit the amount that the interest rate on an adjustment rate mortgage loan product may change at each adjustment and/or over the life of the loan. The caps may be applied to either the base interest rate or the introductory rate, but the chosen method and maximum capped rate must be clearly identified in the note. Each payment adjustment should be considered separately from every other adjustment and should be independently calculated as required in Section (3.03A) before being modified by the periodic rate cap.

2.04 Payment Caps. Increases in the monthly mortgage payment that are indicated by increases in the interest rate of the loan may be limited by per adjustment payment caps. If negative amortization results, the loan balance may increase by that same amount up to the maximum loan-to-value limitations permitted by law. If another appraisal is requested by either the bank or the borrower for the purpose of establishing a new value to permit a higher level of negative amortization, the party requesting the appraisal shall pay for it. As an alternative to negative amortization, the term of the loan may be extended up to the maximum term allowed by law.

2.05 Convertibility. An adjustable rate mortgage loan may include a provision allowing the mortgagor to elect to convert the mortgage from an adjustable rate to a fixed rate loan. No fees or points may be charged for exercising a loan conversion option.

3.00 INTEREST RATE ADJUSTMENT: CALCULATION AND NOTIFICATION

3.01 General Requirement. Any change made in the interest rate on an adjustable rate mortgage loan over the life of the loan must be directly attributable to the movement of the index in accordance with a formula specified in the original note. The exception is discussed in Section (4.02). No fees or points may be charged in connection with an adjustment except for the reappraisal fee when permitted by Section (2.04).

3.02 Adjustment Interval. The minimum adjustment interval permitted by statute is six months. All adjustment intervals should be of equal length, except that the first adjustment interval may be of unequal length if necessary to establish a master adjustment schedule.

3.03 Adjustment Calculation. The adjustment calculation must be based on the most recently available index as defined in Section (1.02) of these guidelines. The adjustment calculation should include the following:

A. New Index Value + Margin = New Base Rate.

B. The new base rate calculated in (A.) above should be modified if required by any selected loan options as discussed in Section (2.00).

C. Adjustments made to the payment, loan balance, or term due to the rate change as provided for in the loan design and loan documents should be calculated. If negative amortization will result, the principal balance at the time of the next scheduled adjustment will be included in the notice required in Section (3.04).

All rounding must be to the nearest one-eighth percent at the conclusion of the adjustment calculation. No minimum index movement may be required to justify a rate adjustment calculation. Rate increases are optional; rate decreases are mandatory, within limits permitted by applicable rate caps.

3.04 Timing and Notice of Adjustment. The Adjustment Calculation shall be based on the most recently available index on a fixed number of days, at least 30 but not more than 60 days, prior to the interest rate change date. The number of days selected shall be included in the mortgage note. A written notice shall be mailed to the borrower prior to the scheduled adjustment and shall include all of the details of the adjustment calculation required in Section (3.03) including the actual mathematical calculations.

3.05 Index Replacement. If the selected index ceases to be available during the life of the loan, another index of approximately the same volatility shall be selected by the mortgagee. In these cases the margin specified in the loan documents will be rendered inapplicable, and the value of the substitute index at the time the loan was originated will be identified and subtracted from the base interest rate to calculate the replacement margin. The index and the replacement margin will be used in calculating subsequent interest rate adjustments. All originally selected loan options shall remain in effect.

3.06 Index Selection and Margin Calculation. If, in the case of a balloon payment mortgage written under section 60 of Chapter 183 of the Massachusetts General Laws, where the borrower chooses to have the mortgage loan extended and an index and margin were not identified in the original note, the index for the extended loan will be that index most frequently used for other ARMS being written by the institution. The margin should be calculated by determining the difference between the index value effective on the date the note was written and the interest rate in that note. Adjustment calculations should then follow the procedures set out in Section (3.03).

4.00 PAYMENT ADJUSTMENT: CALCULATION AND NOTIFICATION

4.01 Connected with Rate Change. Payment adjustments which are directly attributable to rate changes shall be made in accordance with the procedures set out in Section (3.00).

4.02 Connected with Amortization Requirements. Payment adjustments made necessary either to meet requirements to fully amortize a loan after a certain period of time or because the limitations on negative amortization provided for in Section (2.04) have been reached, may take place with at least 30 days notice to the borrower. Such notification shall be in writing and shall contain a full explanation of the circumstances that have led to the payment change and how long that payment will be in effect.

5.00 PRODUCT DESIGN AND APPLICATION PROCESSING

5.01 Designing an ARM Loan Product. Any unique combination of the elements of an adjustable rate mortgage loan discussed in sections (1.00), (2.00), and (3.00) constitutes a singular loan product. Once selected, all of these elements are fixed. The number of points to be charged is also considered integral to the product and must remain constant. Each separate loan product must then be separately identified by name or number. The loan application and the note shall include this identification. If any element of the loan product changes, the result is a different loan product which must have its own name or number.

The actual numeric interest rate on the loan is not one of the elements that is fixed at the time of product design. Rather, the method by which the interest rate will be established and the time which the actual interest rate will be determined is the product design element that must remain constant.

5.02 ARM Application Processing. For the purpose of establishing exactly which mortgage product the consumer is applying for, all application forms for adjustable rate mortgage loans shall have spaces provided for the identification of the specific loan product being requested. For the purposes of establishing a base point from which to measure performance under Section (5.03), all application forms for adjustable rate mortgage loans shall have spaces provided for the date that the application has been deemed complete.

Lenders may establish their own requirements for what constitutes a completed application under these guidelines except in cases where a fee has been charged to the borrower. In those cases, an application will be deemed complete on the date that the fee becomes nonrefundable in whole or in part.

5.03 ARM Product Availability Limitations. The loan product applied for must be made available: (1) if an application form for a particular adjustable rate mortgage loan is accepted by the mortgagee; (2) if the applicant has provided all information requested by the mortgagee within 30 calendar days of the request; (3) if a loan applicant and the applicable real estate collateral both meet all of the credit and regulatory standards for the loan product applied for; and, (4) if the loan is closed within 90 calendar days of the date the application is deemed complete; provided, however, that if the failure to close within said ninety days is due to the mortgagee, any agent thereof, or any attorney protecting the interest of the mortgagee, then such loan product shall continue to be available beyond said ninety days. If subsequent requests by the mortgagee for additional information beyond that originally requested makes it impossible for the applicant to complete the application process within 30 days, the timetable in (2) and (4) above will be extended to 30 and 90 days after the request for additional information was made. If an applicant does not meet the above time limits, and the product is no longer available, the borrower will be so informed and will be given the opportunity to signify in writing the desire to have the application considered for a different loan product.

6.00 DISCLOSURE REQUIREMENTS

6.01 General Description. The purpose of the requirements in this section is to insure that consumers get sufficient information about available loan products in a timely manner and in a form that facilitates comparison shopping. Unlike fixed rate loans that have limited variations, there are numerous adjustable rate mortgage loan types with many important differences. Complete information on the pricing structure, loan options, and adjustment procedures of the various adjustable rate loan types will assist consumers in identifying the type of loan product which meets their needs while not exceeding their ability to assume either risk or debt.

Consequently, the requirements under this section are not specifically oriented towards the disclosure of a particular initial interest rate or towards other cost-of-credit issues that are now required under federal and state Truth-in-Lending requirements. These requirements are separate from and in addition to the Truth-in-Lending requirements.

6.02 The Consumer Handbook on ARMS put out by the Federal Reserve Board and the Federal Home Loan Bank Board must be available in the offices of the mortgagee at all times and must be given to a consumer if and when they first request adjustable rate mortgage information.

6.03 An Index Information Sheet that graphs or charts the movement of the indices used by the mortgagee will be provided with the handbook discussed in Section (6.02) above. This sheet shall use the most recent ten year history of each index or, if an index has been published for less than ten years, a complete history. The purpose of this sheet is to better enable the consumer to understand the potential risks and rewards of different indices with varying volatility. The format for conveying this information is not specified here; however, lenders are encouraged to aggressively seek effective ways of transmitting this information so consumers can understand it and use it.

6.04 A mortgage product description sheet must be made readily available with the Consumer Handbook on ARMS and an index information sheet. No particular format is required, and examples of suitable formats for particular product offerings are found at the end of the Consumer Handbook on ARMS and in Appendix A of these guidelines. However, the format must include detailed information on product design elements and monthly payment amounts. The monthly payment amounts found in these examples are for one year adjustable rate loans. They should be changed to reflect variations in products offered. If the lender offers different loan products for primary and secondary homes, for purchase money mortgages and refinances, and/or for different loan-to-value ratio loans, the lender may issue different mortgage product description sheets for different groups of loans.

One column on at least one of the mortgage product description sheets should be used for each different mortgage product offered by the mortgagee. The product's identifying name or number as required by Section (5.01) of these guidelines should be provided at the top of that column. The effective date of the information to be included and a statement as to the extent of the applicability of the products described should be provided on the top of the sheet. The timing requirements to insure availability of the loan product discussed of Section (5.03) should be included prominently on the description sheet. All payment information may be stated per $1,000 loan amount with instructions to multiply by the desired loan amount rounded to the nearest $1,000.

6.05 Telephone Inquiries. Any consumer telephoning a mortgagee relative to available adjustable rate mortgage loans must be informed about the availability of the items described in Sections (6.02), (6.03), and (6.04) above.

7.00 MISCELLANEOUS

7.01 Reverse Mortgages. These guidelines are not intended to prohibit the development of reverse mortgage loan products which advance the approved loan amount to the consumer in periodic payments over the term of the loan and come due only when the entire amount has been advanced in payments or used to pay interest.

APPENDIX A
ADJUSTABLE RATE MORTGAGE PRODUCTS AVAILABLE FOR
OWNER-OCCUPIED, _____ HOMES
_____% DOWNPAYMENT

(Insert dates applications will be received for and statement of conditions for insuring continued availability of loan products listed below.)

BASIC LOAN PRICE STRUCTURE	Mortgage A Name or Number	Mortgage B Name or Number
Adjustment Period		
Index Used		
Margin		
Points		
When is the interest rate fixed for the first period?		
Size of Introductory Discount (if any)		
How long will the discount last?		
LOAN OPTIONS		
Interest rate caps: periodic		
lifetime		
Payment caps		
Negative amortization		
Convertibility or prepayment privilege		
Other routine fees and charges		
MONTHLY PAYMENT AMOUNTS (Stated per $1000 of loan at the current interest rate.)		
What will happen to the monthly payment per $1000 of loan be if the index rate:		
- stays the same		
- goes up 2%		
- goes down 2%		
What will happen to the monthly payment per $1000 of loan be after three years if the index rate:		
- stays the same		
- goes up 2% per year		
- goes down 2% per year		

MASS. AF24.8:A65

MICHAEL S. DUKAKIS
GOVERNOR

PAUL E. BULMAN
COMMISSIONER

The Commonwealth of Massachusetts

Office of the Commissioner of Banks

Leverett Saltonstall Building, Government Center
100 Cambridge Street, Boston, 02202

GOVERNMENT DOCUMENTS COLLECTION
FEB 13 1984
University of Massachusetts
Depository Copy

January 5, 1984

To the Chief Executive Officer of the Institution Addressed:

RE: Administrative Bulletin 13-5 Mortgages: Points, fees, etc. and Section 63 of Chapter 183, Massachusetts General Laws

1. When the Division issued Administrative Bulletin 13-5 "Memorandum on Regulating the charging of Points in certain Mortgage Transactions" as authorized by Section 63 of Chapter 183 of the Massachusetts General Laws, it attempted to set one point as a maximum amount to be charged for new mortgages unless the mortgages were to be sold in the secondary mortgage market.

2. If the Mortgages are to be sold, the statute clearly allows for the reimbursement of any commitment or other fees paid or to be paid by the mortgagee for the intended purposes of selling mortgage loans in the secondary mortgage market. The use of standard documentation is covered by the first point charged and does not justify additional point charges. Any additional point charges are to be based on fees paid or to be paid for the intended purpose of selling the mortgages. If there is no fee paid or to be paid, then there should be no additional points charged.

3. The purpose of this letter is to remove any lingering misperceptions and/or confusion regarding this Division's effort to insure compliance with Section 63 of Chapter 183 of the Massachusetts General Laws. Therefore, effective immediately, the Commissioner finds that one point constitutes reasonable reimbursement for initial direct costs for originating or underwriting expenses. Points in excess of one must be justified by commitment fees, delivery fees and/or other expenses incurred or anticipated in the course of selling the mortgages in the secondary market.

4. Finally, the Division will monitor point charging practices chiefly through its regular process of examination and expects strict adherence to these standards. If, based on an examination or information obtained from other sources, the Divison believes that a mortgage lender may be violating Section 63, it will so inform the lender and encourage a change in the lender's policy. Where a lender is unresponsive, punitive measures available to the Commissioner under the General Laws may be imposed or the matter may be referred to the Attorney General of the Commonwealth for further action.

Very truly yours,

Paul E. Bulman

Paul E. Bulman

over

MASSACHUSETTS GENERAL LAWS, CHAPTER 183

Section 63: Charging of Points or Fees in Residential Mortgage Transactions

A mortgagee doing business in the commonwealth shall not charge a loan fee, finder's fees, points, so called, or similar fees in a mortgage transaction involving a residential property of four or less units and occupied or to be occupied in whole or in part by the mortgagor, except to the extent such fees or points constitute reimbursement for reasonable originating or underwriting expenses, as determined by the commissioner, incurred by the mortgagee and reimbursement for any commitment or other fees paid or to be paid by the mortgagee for the intended purposes of selling mortgage loans in the secondary mortgage market; provided, however, that this section shall not apply to loans guaranteed in whole or in part by the Veterans Administration, loans insured by the Federal Housing Administration, or other loans subject to governmentally imposed interest rate ceilings, as determined by the commissioner.

MICHAEL S. DUKAKIS
GOVERNOR

PAUL E. BULMAN
COMMISSIONER

The Commonwealth of Massachusetts

Secretary of Consumer Affairs and Business Regulation
Office of the Commissioner of Banks
Leverett Saltonstall Building, Government Center
100 Cambridge Street, Boston 02202

March 15, 1986

To the Executive Officer of the Institution Addressed:

A recent review of Administrative Bulletin 13-5 has resulted in a clarification set forth below of the maximum fees or "points" a mortgage lender may charge for refinancing or rewriting existing first or second mortgage loans involving a residential property of four or less units and occupied or to be occupied in whole or in part by the mortgagor.

Massachusetts General Laws Chapter 183, Section 63 prohibits any fee other than reasonable originating or underwriting expenses or expenses involved with participation in the secondary mortgage market.

Accordingly, paragraph 3 of the Standards Section of Administrative Bulletin 13-5, dated September 29, 1980, is hereby amended to read as follows:

(3)(a) One point for a first or second mortgage loan rewritten or refinanced for an existing mortgage customer. A rewritten or refinanced mortgage loan is one that requires originating or underwriting services similar to an original mortgage loan application.

(b) No points for the revision of terms of any existing loans, pursuant to Massachusetts General Laws Chapter 167E, Section 6(4).

It should be noted that neither Massachusetts General Laws Chapter 183, Section 63 nor this amendment to Administrative Bulletin 13-5 limits direct charges or expenses incurred which are typically billed at the closing of a mortgage loan, such as credit reports, appraisals, and attorney fees.

Paul E. Bulman
Commissioner of Banks

PEB:nuc

13-5

EDWARD J. KING
GOVERNOR

GERALD T. MULLIGAN
COMMISSIONER

The Commonwealth of Massachusetts

Office of the Commissioner of Banks

State Office Building, Government Center
100 Cambridge Street, Boston 02202

September 29, 1980

To the Individual or Institution Addressed:

Please find enclosed a copy of the final memorandum prepared by the Division of Banks in regard to the new Section 63 of Chapter 183 of the General Laws and the charging of points in certain mortgage transactions.

The final memorandum differs in the following respects from a draft previously circulated:

(1) the effective date of the statute and the memorandum is clarified;

(2) the issue of points paid by third parties is addressed;

(3) the issue of points charged to adjust yields on loans sold in the secondary market is addressed;

(4) guidelines are established for loans written for existing mortgage customers on new properties;

(5) formal reporting requirements are eliminated.

Any questions or requests for information should be directed to John Heerwagen at the Division of Banks at (617) 727-0529.

Very truly yours,

Gerald T. Mulligan

Gerald T. Mulligan

Publication # 12105-1000-5-9-80
Approved by John Manton, Acting State Purchasing Agent

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 13-5 Mortgages: Points, fees; etc.

MEMORANDUM ON REGULATING THE CHARGING OF POINTS IN CERTAIN MORTGAGE TRANSACTIONS

AUTHORITY

Chapter 183 of the General Laws of the Commonwealth has been amended by Chapter 385 of the Acts and Resolves of 1980 to include a Section 63 which prohibits the charging of loan fees, finders fees, points, or similar fees on certain mortgage transactions, except to the extent such fees or points constitute reimbursement for reasonable originating or underwriting expenses or expenses involved with participation in the secondary mortgage market. Section 63 also authorizes the Commissioner (of Banks) to determine what constitutes reasonable originating or underwriting expenses. The purpose of this memorandum is to provide interpretation of Section 63 and guidance for what the Division of Banks believes is reasonable for originating or underwriting expenses.

APPLICABILITY

Section 63 and this memorandum apply to mortgage transactions executed on or after October 1, 1980 and involving one-to-four family properties occupied or to be occupied in whole or in part by the mortgagors. For application of the statute and the memorandum, the relevant date of the transaction is considered to be the date at which the mortgagee's commitment to rate and points is accepted formally by the mortgagor.

The covered mortgage transactions include first and certain second mortgage loans made by any mortgagee doing business in the Commonwealth. Excluded from coverage under Section 63 are loans guaranteed in whole or in part by the Veterans Administration, loans insured by the Federal Housing Administration, and second mortgage loans subject to rate controls under Section 90A--90E of Chapter 140 of the General Laws. Point charges on these and other loans not covered by Section 63 of Chapter 183 are, however, subject to previous memoranda on the recognition of point income when imposed by state-chartered depository institutions.

Finally, it is not contemplated that the statute or the memorandum applies to mortgage transactions in which points are paid voluntarily by third parties (for example, builders or corporate employers) on behalf of mortgagors. This, however, should not be construed as an opportunity to circumvent either the spirit or intent of Section 63.

DESCRIPTION

The points, expressed as a percentage of the loan amount, and similar fees addressed in this memorandum and contemplated under Section 63 of Chapter 183 fall into three general categories. The first category is points charged as loan discounts or other means of adjusting the interes yields on loans. The second category is points, including that portion of application fees not credited toward payments due at closing, charged as compensation for administrative costs incurred in originating or underwriting loans. The final category is points charged as compensation for participation in the secondary mortgage market. The thrust of Section 63 is to prohibit most charges under the first category while allowing reasonable charges under the second and third.

It should be noted that neither Section 63 nor this memorandum attempt to limit directly charges for credit reports, appraisals, attorney fees, or other expenses which are typically billed separately at the closing of a loan. These are not related to the administrative costs incurred in originating or underwriting a loan as contemplated under Section 63. Such charges are, however, addressed in Section 3(e) of Chapter 140C and must, in accordance with that statute, be bona fide and reasonable or the excesses are included in the finance charge for disclosure purposes. If included in the finance charge, the itemized charges may be subject to Section 63 of Chapter 183.

TANDARDS

According to Section 63 of Chapter 183, no points or fees shall be charged in connection with loans addressed in this memorandum where such points or fees constitute loan discounts or other means of adjusting the interest yield on the loans. The only exception to this standard are cases where points are necessary to meet the yield requirements of investors in the secondary mortgage market.

According to the same section, no points, including that portion of application fees not credited toward payments due at closing, shall be charged except to the extent they constitute reimbursement for reasonable administrative expenses incurrred in originating or underwriting the subject loans. Such charges will be presumed reasonable and in compliance with the statute as long as they do not exceed the following guidelines:

(1) One point for a first or second mortgage written for a new mortgage customer or written for an existing mortgage customer on a new property.

(2) One and one half points for a first or second mortgage written for a new mortgage customer or written for an existing mortgage customer on a new property, where the loan involves construction or rehabilitation of the property to be mortgaged and where the improvements constitute at least 25 percent of the market or appraised value of the property upon completion.

(3) One half of one point for a first or second mortgage rewritten or refinanced for an existing mortgage customer. (Here, points are to be measured against the entire amount of the new loan.)

(4) One point for a first or second mortgage rewritten or refinanced for an existing mortgage customer, where the loan involves construction or rehabilitation as defined in (2) above. (Here, points are to be measured against the entire amount of the new loan.)

(5) One half of one point for a second mortgage written for an existing first mortgage customer on the same property.

(6) One point for a second mortgage written for an existing first mortgage customer on the same property, where the loan involves construction or rehabilitation as defined in (2) above.

Points and related fees to cover administrative costs may exceed these guidelines but only to the extent they can be justified as reflective of reasonable administrative costs incurrred in originating or underwriting loans. The Division of Banks discourages attempts to exceed the guidelines for administrative expenses, particularly where these excesses may be justified on the basis of the mortgage lender assuming the costs of credit reports, appraisals, or other items typically billed separately at closing. Before exceeding the guidelines, the lender is encouraged to attempt to bill these items separately according reasonable industry standards.

Finally, according to Section 63, points and related fees may be charged to the extent they constitute reimbursement for commitment or other fees paid or to be paid by the mortgage lender for the intended purpose of selling the subject loans in the secondary mortgage market. Here, the Division of Banks recognizes and is prepared to accommodate reasonable charges reflecting expenses incurred prior to closing a loan, expenses incurred subsequent to closing a loan, and expenses anticipated but not actually incurred. Since these charges may vary widely, there is no attempt to establish numerical guidelines or standards. However, the Division interprets Section 63 as requiring both reasonableness over time and good faith intention to sell. These broad standards do not preclude points charged on loans originated but not sold due to unfavorable market conditions or other events, but they do envision a justification of point charges in terms of actions relating to specific loans before and after closing, overall experience in the secondary market, and other factors over time.

MONITORING AND ENFORCEMENT

The Division of Banks will monitor point charging practices chiefly through its regular process of examination. If, based on an examination or information obtained from other sources, the Division believes that a mortgage lender may be violating Section 63, it will so inform the lender and encourage a change in the lender's poli Where a lender is unresponsive, punitive measures available to the Commissioner under the General Laws may be imposed or the matter may be referred to the Attorney General of the Commonwealth for further action.

DISCLOSURE

Section 63 of Chapter 183 imposes no application, Truth-in-Lending, or other disclosure requirements beyond those already set forth in the General Laws. However, if a mortgage lender is charging points and similar fees in excess of the maximum amounts immediately allowable, the Division of Banks encourages the lender to be responsive to any inquiries from prospective borrowers into the excess charges or limitations of Section 63. The lender is encouraged to respond to such inquiries with, at a minimum, a statement to the effect that the statute allows charges sufficient to cover the costs of making a loan and that the charges are subject to review and a finding of reasonableness by the Division. It is believed that this effort will help control any public misunderstanding of Section 63 and the number of inquiries filed with the Division.

MEMORANDUM CHANGES

The guidelines and standards set forth herein may change at some future date at the discretion of the Commissioner.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 14-1 Group Life and A-H for Debtors All Banks and Credit Unions

See G.L. Chapter 167, Sections 56, 56B.

Effective August 10, 1965 the following guidelines are in effect.

1. The Board of Directors, Board of Trustees, Board of Investment, Security Committee or Executive Committee, as the case may be, shall authorize and approve the purchase of insurance pursuant to said sections.

2. Policies shall be assigned to the bank.

3. A reasonable service charge sufficient only to defray the bank's expense of administration of such plans may be charged.

4. A separate account shall be maintained for each type of insurance sold.

5. A proper record of payments shall be maintained and included in whatever type of receipt is given to the borrower.

6. Every contract for insurance between the bank and insurance company shall be approved by the attorney for the bank.

7. A separate liability account shall be maintained to record funds due to the insurance company but not remitted.

8. Premiums shall be forwarded by the bank to the insurance company as required by the terms of a written agreement between the bank and the insurance company but in no event later than sixty days after receipt by the bank of such premiums.

9. Your attention is directed to the statutory admonition that no trustee, director, officer or employee of a bank shall benefit financially, directly or indirectly, from the sale of such insurance.

10. Your attention is further directed to the statutory condition precedent to the issuance of all such insurance; the borrower must request the insurance.

Date: 9/1/65

This restates Guidelines 8/10/65

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The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 18-2 Disclosure Directive

All banks and credit unions having main offices within the Boston or Springfield Standard Metropolitan Statistical Area, as defined by the U.S. Department of Commerce, and also having deposits of $20 million or over must report on their mortgage lending practices and the source of their deposits by geographic locations in form and manner set out in the attached instructions which are a part of this directive.

Data must be received at this office on or before August 30, 1979.

Date: June 8, 1979
This directive replaces directive
issued 6/26/78 - Mortgage Lending Practices
and 6/26/78 - Deposit Data

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 15-1 Other Real Estate

In the past this office has quite routinely extended the period of time that a bank could hold real estate acquired by foreclosure or by purchase at sales made under provisions of such mortgages or upon judgments for debts due to it or in settlement effected to secure such debt.

Further consideration has led us to believe that extension of the prescribed time limitations encourages speculation in real estate. Speculation in real estate should not be a usual bank function and is not within the contemplation of the relevant statutes.

Savings Bank law, Chapter 168, Section 54, allows a holding for five years and Co-operative Bank law, Chapter 170, Section 29, allows a holding for six years. Providing the book value is supported by current market value, both statutes allow the Commissioner to extend the periods for holding such real estate.

Clearly the intent of the statute is to allow for the orderly divestiture of the property. It is not intended to allow the continuous holding of such property. Future requests for extensions of time will be examined closely, and you may anticipate that no extensions will be granted unless during the statutory period realistic attempts have been made at divestiture.

It is recommended that you consult with your accountants to determine proper methods of capitalizing and/or expensing various charges relative to these acquisitions. If you have had acquisitions which you later transferred to Leeway investment, your accountant should also be consulted as to proper accounting procedure.

EDWARD J. KING
GOVERNOR

GERALD T. MULLIGAN
COMMISSIONER

The Commonwealth of Massachusetts

Office of the Commissioner of Banks

State Office Building, Government Center,
100 Cambridge Street, Boston 02202

June 14, 1979

TO THE CHIEF EXECUTIVE OFFICER OF THE BANK ADDRESSED:

Attached please find our disclosure directive dated June 8, 1979. Information relative to deposits is being collected pursuant to Chapter 167, Section 2 of the Massachusetts General Laws. The report will be treated as confidential as defined in the statute. Loan information is being requested under Chapter 167, Section 7 of the Massachusetts General Laws. This information, when filed, will be available to the public both at this office and at the office of the bank. Banks having an exemption from Federal Regulations for collecting and making available loan data will retain that exemption by complying with this directive. Exemption by the Federal Reserve System will be sought for those banks filing for the first time.

In the interest of consistency, the data requested, its format, and attendant filing procedures are virtually the same as those established last year. They are set forth on the attached pages. Only two changes in the disclosure materials have been effected. First, the instructions have been rewritten for greater clarity and to facilitate the disclosure process for reporting institutions. Second, certain additional aggregate data have been requested to allow this office to reconcile the overall information reported with that available from other sources.

In order to complete the disclosure process in a reasonable and timely manner, we request that you return the enclosed contact sheet by June 25, 1979. We will then forward detailed instructions and format specifications to the appropriate data processor. If any questions arise in the meantime, please direct them to Mr. Lindsay Gillies at (617) 727-1419.

Thank you for your cooperation.

Very truly yours,

Gerald T. Mulligan

GTM:sjh
Enclosure
PUBLICATION # 11,370-200-23-5-79-CR

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 16-1 Sphere of Operation Credit Unions

Effective August 30, 1977 community credit unions may amend their By-Laws to offer payroll deduction services to companies located within 30 miles of their main office.

Date: 5/1/79

Restatement of letter 8/30/77

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 16 - 2 Guidelines for the Recognition of Point Income:
Savings Banks
Commercial Banks and
Credit Unions

Pursuant to the authority of Chapter 167, Section 6 of the Massachusetts General Laws, the following guidelines are issued to be effective November 1, 197!

Purpose:

The purpose of this guideline is to establish a uniform standard for the accounting of point income. This Department revised its instructions for the preparation of annual reports in order to comply with generally accepted accounting principles ("GAAP"), and the accounting for point income should be consistent with those principles. Recognizing that "GAAP" limits the amount of point income recognized immediately to that portion which can be attributed to direct underwriting cost and that any remainder be accounted for as an adjustment to yield, the following guideline has been established:

Guidelines:

A. Point income, to the extent that it represents reimbursement of underwriting cost is allowed immediate recognition as current income.

B. Any remaining point income after deducting underwriting cost should be deferred, deducted from the related loans in the financial statement and amortized to income over the loan period by application of the interest method.

In order to give recognition to the material aspects of this issue, underwriting costs that exceed one point should be supported in writing and available for examiner review. Beginning November 1, 1979 point income will be reviewed for compliance and used in the calculations which measure the dividend paying ability of the particular institution.

This guideline is not intended to establish perimeters governing the number of points to be charged or the average life of related portfolios, but rather to further support this Department's commitment to "GAAP" accounting.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 16 - 2a

Guidelines for the Recognition of Point Income

Co-operative Banks

Pursuant to the authority of Chapter 167, Section 6 of the Massachusetts General Laws, the following guidelines are issued to be effective May 1, 1980:

Purpose:

The purpose of this guideline is to establish a uniform standard for the accounting of point income. This Department revised its instructions for the preparation of annual reports in order to comply with generally accepted accounting principles ("GAAP"), and the accounting for point income should be consistent with those principles. Recognizing that "GAAP" limits the amount of point income recognized immediately to that portion which can be attributed to direct underwriting cost and that any remainder be accounted for as an adjustment to yield, the following guideline has been established:

Guidelines:

A. Point income, to the extent that it represents reimbursement of underwriting cost, is allowed immediate recognition as current income.

B. Any remaining point income after deducting underwriting cost should be deferred, deducted from the related loans in the financial statement and amortized to income over the loan period by application of the interest method.

In order to give recognition to the material aspects of this issue, underwriting costs that exceed one point should be supported in writing and available for examiner review. Beginning May 1, 1980 point income will be reviewed for compliance and used in the calculations which measure the dividend paying ability of the particular institution. It should be clear to all that the annual reports filed as of your April bank day 1980 should be in compliance with "GAAP" accounting and, therefore, should include any necessary adjustments to properly reflect point income.

This guideline is not intended to establish perimeters governing the number of points to be charged or the average life of related portfolios, but rather to further support this Department's commitment to "GAAP" accounting.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 16-3 Penalties - Early Withdrawals

PROPER ACCOUNTING TREATMENT FOR EARLY WITHDRAWAL PENALTIES

Recently the subject has been the topic of many inquiries from Examiners, Auditors and banks. To date the American Institute of Certified Public Accountants (A.I.C.P.A.) has not issued a pronouncement covering the subject.

We have discussed the subject with representatives of some major C.P.A. firms and it is their contention that monies received from such penalties should be accounted for in all income and expense reports as a deduction or adjustment from interest expense rather than as an addition to income.

F.D.I.C. consider such monies as fines and to be included in the category of "all other income".

We concur with the first method and therefore request that all such penalties be deducted from interest or dividend expense in examination report schedules of Analysis of Earnings-Profits and Losses for all examinations other than joint Federal examinations. The Federal Home Loan Bank concurs with our position.

You may inform the management of all banks and credit unions of this policy to assist in the preparation of future Reports of Earnings.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 18-1 Annual Report Co-operative Banks

Chapter 170, Section 42 of the Massachusetts General Laws requires you to submit an Annual Report to the Commissioner within 30 days of your April bank day.

Instructions for preparation of the report are enclosed.

Date: 7/1/75

Restatement of letter 3/29/78

publication: #11283-13-200-4-79 CR

18-1.1

THE COMMONWEALTH OF MASSACHUSETTS

Instructions for the preparation of BALANCE SHEET AND REPORTS OF INCOME BY MASSACHUSETTS THRIFT INSTITUTIONS

Commissioner of Banks
100 Cambridge Street
Boston, Massachusetts 02202

GENERAL INSTRUCTIONS

A number of changes have been made in the balance sheet and in the Report of Income that is required to be submitted by thrift institutions.

This report is to be prepared in conformity with generally accepted accounting principles ("GAAP"). When an accounting matter or principle is immaterial to the financial statement presentation, the reporting of the item may differ from prescribed accounting procedures.

It is recognized that accounting practices used in the preparation of these reports may differ from those used in maintaining the books of your bank. A reconciliation or worksheet should be maintained for report verification.

Leeway Investments:

All investments, other than majority-owned subsidiaries should be categorized into properly stated asset accounts.

Consolidation of Majority-Owned Subsidiaries:

The consolidated balance sheet and the consolidated Report of Income should include all majority-owned bank premises subsidiaries and other non-banking majority-owned subsidiaries. Intercompany accounts and transactions should be eliminated. For example, loans by a parent bank to a subsidiary; or deposits in the parent bank by a subsidiary, should not be included among assets and liabilities in any report in which the subsidiaries' accounts are consolidated with those of the parent bank.

Investment Securities

Investment securities should be reported on the basis of cost, adjusted for amortization of premiums and accretion of discounts. Other adjustments should be reflected for permanent impairment and unrealized depreciation of equity securities and stock option positions when applicable.

Income Taxes

Because most thrift institutions have recorded income taxes on the cash basis and, for the most part have charged the amounts paid against surplus, it is essential that accounting for income taxes be reflected on the accrual basis in order to properly match income tax expense against the income to which the tax was incurred.

These instructions provide definitions for the items involved in the balance sheet and Report of Income.

Where itemized items must be submitted in detail, supplementary sheets may be included.

LINES:

A01 Cash and Due from Banks Demand - Should include all cash on hand, cash items in process of collection, balances due from banks. Line A01 should agree with total schedule A.

A02 Interest Bearing Deposits in Banks - Include the total book value of certificate of deposits and all other interest bearing deposits in banks.

A03 U.S. Government and Agency Securities - Includes the total carrying value of all securities, e.g. bills, certificates of indebtedness, notes and bonds issued by the U.S. Treasury Department. Include the total book value of the bank's holdings of all bonds, notes and debentures of U.S. Government Corporations and agencies, including government-sponsored agencies, e.g., Export-Import Bank, Federal Intermediate Credit Banks. Federal National Mortgage Association, Government National Mortgage Association, Federal Land Banks, Federal Home Loan Bank, Banks for Co-operatives, Tennessee Valley Authority, D.C. Stadium Bonds, Federal Housing Authority Debentures and Merchant Marine Bonds. Include participating certificates issued by the Export-Import Bank, the Federal National Mortgage Association, the Government National Mortgage Association, and the Federal Home Loan Mortgage Association. Also include insured notes of the Farmers Home Administration. Do not include pass through certificates guaranteed by the U.S. Government. Line A03 should agree with corresponding line in Schedule B.

A04 Obligations of State and Political Subdivisions - Include the total carrying value of the bank's holdings of all obligations, including warrants and tax-anticipation notes, issued by municipalities; by school, irrigation, drainage, and reclamation districts; and by local housing authorities (including "New Housing Authority Bonds" and temporary loan notes). Include Farmers Home Administration guaranteed loans made for community water supply, waste disposal systems, and outdoor recreation centers. This item will also include obligations issued by other instrumentalities of one or more States and by territorial or insular possessions of the United States. Line A04 should agree with corresponding line in Schedule B.

A05 Other Bonds, Notes, and Debentures - Include the bank's total holdings of all other bonds, notes and debentures not reported above in lines A03 and A04. This line should agree with corresponding line in Schedule B.

A06 Corporate Stock - Include all common, preferred and warrants in stocks held.

A07 Federal Funds Sold - Enter all Federal funds or similar transactions regardless of the terminology outstanding on date of report.

A08 Pass-Through Certificates - Includes Pass-Through Certificates issued by the Federal National Mortgage Association, Government National Mortgage Association and other agencies and corporations, stated at cost, adjusted for amortization of premiums and accretion of discounts.

A09 Real Estate Loans - Enter the amount of Line D from Schedule C.

A10 Other Loans - Include all installment loans to repair and modernize residential property (Line F, Schedule C), loans to individuals for household, family and personal expenditures. (Lines G1 and G2, schedule C), all commercial and industrial loans (Lines H1 and H2, schedule C), and any other loans not previously mentioned and overdrafts. Line I, schedule C. Enter the amount of Line J from schedule C.

A11 Subtotal all Loans - Total of Lines A09 and A10

A12 Unearned Income on Loans - Deduct unearned income from loans.

A13 Allowance for Possible Losses - Deduct only the valuation portion of reserves for possible losses. For banks maintaining a reserve, all losses and recoveries on loans and overdrafts as well as increments expensed through the provision for possible losses on the Report of Income must be reflected in this reserve. If a reserve is not established, justify with a footnote your "Zero" Reserve Position.

A14 Net Loans - Line A11 less total of lines A12 and A13.

A15 Bank Premises and Equipment - Include the book value, less depreciation reserves, of all bank premises and furniture and fixtures. Include bank premises that are actually owned by the bank and its consolidated subsidiaries, and are occupied (or are to be occupied if under construction) by the bank or its branches, including leasehold improvements*, vaults and fixed machinery and equipment. Include as bank premises parking lots, adjoining and not adjoining the bank prem..., which are used by customers and employees. Furniture and fixtures should include all movable furniture and fixtures of the bank and its branches. Where applicable, leases which qualify under G.A.A.P. as "CAPITAL" leases should be reported in the line and the related liability reported on Line L2

A16 Real Estate in Foreclosure and in Possession - Include the book value, less depreciation reserves, of all real estate acquired through foreclosure or on which a deed has been accepted in lieu of foreclosure, actually owned by the bank and its consolidated subsidiaries. Also include all amounts representing investments, loans and other assets based on properties which, disregarding manner of holding or form of conveyance, or whether a deed has been delivered, properly should be considered as sold or transferred (directly or indirectly), but where the possibility exists that the properties will have to be taken over by the bank. Include in other assets, other real estate owned which was acquired other than through the lending function.

A17 Allowance for Possible Losses - Follow same procedure as Line A13 with exception of footnote on a "Zero" balance.

A18 Net Real Estate in Foreclosure and in Possession - Line A16 less line A17.

* The term "leasehold improvements" encompasses two types of accounts: (1) where the bank erects a building on leased property; and (2) where a bank occupies leased quarters or uses leased parking lots and capitalized disbursements for vaults, fixed machinery and equipment directly related to such leased quarters, or for resurfacing or other improvements directly related to such parking lots, which will become an integral part of the property and will revert to the lessor on expiration of the lease.

A19 Other Assets - This item must equal the total of schedule D.

A20 Total Assets - This item should reflect the sum of Line A01 through Line A19 above, and must agree with Line S34 "Total Liabilities and Surplus Accounts."

LIABILITIES

L21 Deposits - Shares - Include all deposit and/or share accounts other than tax-escrow accounts. This total should agree with schedule E.

L22 Deposits - Tax Escrow - Include total tax escrow accounts outstanding.

L23 Borrowings - Enter the amount from Schedule F.

L24 Accrued Interest and Dividends - Include all interest and dividends accrued and unpaid.

L25 Accrued Taxes and Expense - Include all taxes and expenses accrued and unpaid.

L26 Mortgagors' Payments - Include all mortgagors' payments received and not yet credited to accounts.

L27 All Other Liabilities - Enter all liabilities which cannot be properly reported against Liability Lines L21 through L26

L28 Subordinated Notes and Debentures - Include the total value of subordinated notes and debentures outstanding. Show information pertaining to the interest rate, maturity, and the amount outstanding of each note and debenture issue. Issues maturing serially may be identified briefly as such. For example, the publisher's copy might refer to $10,000,000 of 8 1/2% notes, maturing annually in amounts of $1,000,000 from December 1976 through December 1985. Differences in interest rates and amounts of issues maturing annually must be specifically identified. This supplementary information may be published as a footnote to the publisher's copy or may be interlined in the appropriate place.

L29 Total Liabilities - Enter the sum of Lines L21 through L28.

SURPLUS ACCOUNTS

S30 Guaranty Fund - Enter the amount specifically allocated for the Guaranty Fund.

S31 Other Surplus Accounts - Enter the total from schedule G.

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S32 Unrealized Loss on Equity Securities - Includes only the net unrealized loss on marketable equity securities.

Glossary of Terms

(a) Equity Security - encompasses any instrument representing ownership shares (e.g., common, preferred, and other capital stock), or the right to acquire (e.g., warrants, rights and call options), or dispose of (e.g., put options), ownership shares in an enterprise at fixed or determinable prices. The term does not encompass preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor, nor does it include treasury stock or convertible bonds.

(b) Marketable - as applied to an equity security, means an equity security as to which sales prices or bid and ask prices are currently available on a national securities exchange (i.e., those registered with the Securities and Exchange Commission) or in the over-the-counter market. In the over-the-counter market, an equity security shall be considered marketable when a quotation is publicly reported by the National Association of Securities Dealers Automatic Quotations Systems or by the National Quotations Bureau, Inc. (provided, in the latter case, that quotations are available from at least three dealers).

(c) Market Price - refers to the price of a single share or unit of a marketable equity security.

(d) Market Value - refers to the aggregate of the market price times the number of shares or units of each marketable equity security in the portfolio. When an entity has taken positions involving short sales, sales of calls, and purchases of puts for marketable equity securities and the same securities are included in the portfolio, those contracts shall be taken into consideration in the determination of market value of the marketable equity securities.

(e) Cost - refers to the original cost of a marketable equity security unless a new cost basis has been assigned based on recognition of an impairment of value that was deemed other than temporary.

(f) The Valuation Allowance - for a marketable equity securities portfolio represents the net unrealized loss (the amount by which aggregate cost exceeds market value) in that portfolio.

(g) The Carrying Amount - of a marketable equity securities portfolio is the amount at which that portfolio of marketable equity securities is reflected in the financial statements of an enterprise.

(h) A Realized Gain or Loss - represents the difference between the net proceeds from the sale of a marketable equity security and its cost.

(i) Net Unrealized Gain or Loss - on a marketable equity securities portfolio represents the difference between the market value of its securities and their aggregate cost at any given date.

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LINES

S33 Total Surplus - Total of lines S30 and S31 less line S32.

S34 Total Liabilities and Surplus Accounts - Total of lines L29 and S33.

SCHEDULE A - CASH AND DUE FROM BANKS DEMAND

Currency and Coin - All currency and specie on hand in main office and all branches only.

Demand Balances With Banks - Include only balances subject to withdrawal without notice including such cash items in process of collection, if any, appearing on the reporting bank's books as due from banks.

For the purpose of this item "banks" are national banks, state commercial banks, trust companies, performing a commercial banking business, industrial banks, stock savings banks, and private banks (including regulated-certificated banks) performing a commercial banking business.

Cash Items in Process of Collection - The term "cash items in process of collection" means:

(1) Checks in process of collection, drawn on another bank, private bank, or any other banking institution that are payable in cash immediately upon presentation in the United States, including checks with a Federal Reserve Bank, in process of collection, and checks on hand which will be presented for payment or forwarded for collection on the following business day;

(2) Government checks and warrants drawn on the Treasurer of the United States that are in process of collection; and

(3) Such other items in process of collection, payable immediately upon presentation in the United States, as are customarily cleared or collected by banks as cash items. All other cash items which do not fit into the above categories should be included in Line A19, "Other Assets".

Total - This total must agree with Line A01 of "Assets".

SCHEDULE B - SECURITIES - DISTRIBUTION BY REMAINING MATURITY (BOOK VALUE)

Include a maturity distribution at book value of all investment securities reported in Asset Items A03, A04 and A05. Do not include corporate stock, Federal Funds, or Pass Through Certificates; these are reported separately in Asset Items A06, A07 and A08. Maturity classification should be based on the time remaining from the report date to the ultimate maturity date rather than callable date. If the security has actually been called, the maturity classification should be based on the time remaining from the report date to the date of payment.

For definition of the items of this schedule, see the corresponding items on the face of the Call.

SCHEDULE C - LOANS AND DISCOUNTS
(Net of Unadvanced Funds)

Loans include extensions of credit resulting either from direct negotiation between lender and borrower, or from the purchase of loan assets from other lenders. Loans include extensions of credit in the form of promissory notes, acknowledgements of advance, due bills and similar obligations (written or oral).

Loans in Schedule C are classified according to type and primary security behind the loan. Mixed purpose loans; i.e., loans covering two or more classifications, sometimes make a clear-out classification of loans difficult. In such instances, the entire loan may be classified according to the major purpose.

Participation loans should be shown with only the reporting bank's share.

Line E on Schedule C must agree with Asset Line A09.
Line J on Schedule C must agree with Asset Line A10.

SCHEDULE D - OTHER ASSETS

Line 1) Income Earned But Not Collected - If the books of the reporting bank are kept on an accrual basis, the bank should report against this item the amount of interest, commissions, rent and other income earned or accrued and applicable to current or prior periods, but not yet collected.

Line 2) All Other - Assets or group of assets which cannot be catergorized in Lines A01 thru A18. Itemize amounts over 25% of line A19. The total of schedule D must agree with line A1.

SCHEDULE E - DEPOSITS

Line 1) Savings Deposits - Include regular savings and share deposit accounts only.

Line 2) Club Deposits - Include all Christmas, Vacation, Chanukah, and other club type accounts.

Line 3) N.O.W. Accounts - Include all interest bearing and non-interest bearing accounts

Line 4) Money Market Certificates - Include total of all six-month certificates.

Line 5) Other Time Deposits - Include open accounts, investment certificates, certificates of deposits, and all other deposit accounts which could not be included anywhere else in schedule E.

Schedule E must agree with Line L21 of "Liabilities".

SCHEDULE F - BORROWINGS

Line 1) Securities Sold Under Agreement to Repurchase - Include in this item all sales of securities under repurchase agreements or similar transactions regardless of the terminology used, whether the transactions involve identical or similar securities, or whether the transactions are with the same or different institutions where the purpose of the transactions are to repurchase identical or similar securities. Include all such sales regardless of the maturity of the agreement to repurchase. Also, include sales of participations in pools of securities.

Line 2) Other Borrowing - Should be categorized as to type of borrowings. This item would include all types of borrowing familiar to Massachusetts thrift institutions through their regulations.

The total of Schedule F must agree with Line L23 of "Liabilities".

SCHEDULE G - OTHER SURPLUS

Line 1) Surplus - Shall include unappropriated retained income.

Line 2) Other Unallocated Reserves (itemize) - All segregations of Reserve Accounts that are set aside to take care of any possible losses in the conduct of the bank's business. Does not include valuation portion of losses on loans and on Other Real Estate Owned. The total of Schedule G must agree with Line S31.

GENERAL INSTRUCTIONS ON INCOME AND EXPENSE

Below is a brief explanation of the Analysis of Earnings and Changes in Total Surplus Accounts. Majority owned subsidiaries are to be recorded on a consolidation basis.

Operating Earnings:

E35 Interest and Discount on Loans - Include interest and accrued discount, both current and past due, fees and similar charges levied against all assets classified as Loans and Discounts in the Report of Condition.

E36 Income on Securities - Income on all investments; i.e., U. S. Treasury securities; other U. S. Governmental agencies or corporations; obligations of states and political subdivisions of states; obligations of territories and insular possessions of the United States; and interest on other bonds, notes, debentures and time balances due from banks. Do not include interest on Pass-through certificates.

E37 Dividend on Stock - Dividends from corporate stocks.

E38 Income on Federal Funds Sold - Include income on all Federal Funds Sold and income from similar transactions regardless of the terminology.

E39 Income on Pass-through Certificates - Include income on Pass-through certificates regardless of issuing entity.

E40 Service Charges, Commissions and Fees - Amounts charged depositors maintaining accounts with the bank. Include charges for failing to maintain minimum balances or based on the number of checks drawn or deposits made.

Include commissions on the sale of insurance policies and the collection of premiums; charges for the collection of checks, notes and bills of exchange; the collection of bills for public utilities and other firms; the sale of bank drafts; the purchase and sale of securities for customers; the negotiation of loans for customers or other banks; the lending of securities owned by the bank; the servicing of real estate mortgages or other loans held by others; percentage charges to merchants for handling credit card or charge sales; equipment leasing and rental fees; data processing services; and, fees received for redeeming United States savings bonds.

E41 Other Income - Include all other income of the bank not required to be reported against items E35 through E40 inclusive. This would include credits such as net teller overages, forgery recoveries, recoveries on payment of checks over stop-payment orders, and similar recurring operating transactions. Include income from the sale of stock options. Include gains from sale of fixed assets. Itemize amounts over 25% of Line E41. The total of this item must agree with the total of Schedule H., "Other Income".

E42 Total Operating Earnings - Totals of Lines E35 through E41.

Operating Expense:

E43 Interest and Dividends Paid on Deposit Accounts - Interest and dividends paid or accrued on deposit accounts for the reporting period.

E44 Interest on Borrowed Funds - Include interest paid or accrued on borrowings, Subordinated Notes and Debentures.

E45 Salaries, Fees, Bonuses, Etc. - All compensation, bonuses, fees, and all supplementary benefits paid or accrued during the report period for or on behalf of Trustees, Directors, Officers and employees. Also include unemployment and social security taxes paid by the bank on its own account. Do not include salaries, bonuses, and benefits of officers and employees primarily concerned with bank premises and related functions. These expenses should be included in Line E47 .

E46 State Income and Excise Taxes - Includes income portion and excise portion.

E47 Expense of Bank Building Occupancy Net - Include compensation and supplemental benefits paid or accrued to officers and employees of the bank who are primarily concerned with bank premises; normal and recurring depreciation charges applicable to current period; ordinary repairs to bank premises and leasehold improvements not capitalized; rent, heat, light, water, outside janitor services, supplies, fire insurance; property and other taxes relating to banking premises, interest on mortgages, liens, or other encumbrances on bank premises; and any other current expense not included above connected with the use of bank premises. Deduct rentals received at the bank for use of the bank building (s) not incidental to the use of the premises by the reporting bank.

E48 Furniture and Equipment Expense - Normal and recurring depreciation charges applicable to the current period; rental costs of office machines and data processing equipment; ordinary repairs, including servicing costs to furniture and office machines; and taxes on furniture and equipment.

E49 Expense of Foreclosed Real Estate Net - Include all operating expense (except salaries) connected with holdings of real estate other than bank premises, including interest paid on liens and normal or recurring depreciation charges on "Foreclosed Real Estate". Deduct income received from said holdings.

E50 D.I.F.M., S.I.F., F.D.I.C. Assessments - Include all assessments and fees paid for the current period. These figures should be reported net in the case of assessment credits.

E51 Provision for Possible Losses - All banks which are on a reserve basis in accounting for losses must report against this item an estimated amount sufficient to bring the balance in the "Allowance for Possible Losses" (balance of Schedule K and Asset Lines A13 and A17 on the Balance Sheet rendered as of the same date) to an adequate level to absorb expected losses based upon management's knowledge of the bank's loan portfolio and Real Estate in Foreclosure and in Possession as presently evaluated. It is the responsibility of management of the reporting bank to determine an adequate loss provision based on their own judgement. Management's judgement as to the adequacy of the loss provision will be subject to review by examiners during the course of their examination. Management is, therefore required to maintain a reviewable record of the basis for their determination of the loss provision. Banks that do not provide for bsses on a reserve basis must report actual net losses (charge-offs less recoveries) for the report period. If recoveries exceed charge-offs, the appropriate entry will be a negative number (net recovery), and should be so indicated by enclosure within parentheses. For statistical purposes only, actual gross recoveries and gross charge-offs should be shown in Schedule K in the appropriate items. Must equal Line L4 in Schedule K.

E52 Other Expense - Include all other expenses not required to be reported on Lines E43 through E51. Examples of items to be included in this category are: Losses on counterfeit money, forged checks, net cash shortages, payment of checks over stop payment orders, and similar recurring type losses. Include losses from the sale of fixed assets and from the sale of loans sold at a discount.

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E53 Total Operating Expenses - Total of Lines E43 through E52.

E54 Income before Federal Income Tax and Securities, Gains or Losses - Total of Line E42 less Line E53.

E55 Applicable Federal Income Tax - Includes amount provided for; in case of tax credit, show amount in parenthesis.

E56 Income before Securities Gains or Losses - Total of Line E54 less Line E55.

E57 Securities Gains (losses) - Report the net result of all securities gains or losses realized during the report period.

E58 Applicable Income Taxes - Enter the amount for all applicable Federal, State, Local, and Foreign income taxes. If the amount on Line E58 is a tax credit, the amount should be enclosed in parentheses.

E59 Securities Gains (losses) Net - Total of Lines E57 less Line E58.

E60 Extraordinary Items - See Schedule M for instructions.

E61 Net Income - Total of Line E56 less or plus Lines E59 and Line E60.

E62 Total Surplus Accounts at Beginning of Period - This total should agree with the total top line on Schedule J. Lines E61 and E62 should total to Line E63.

E63 Total Surplus Accounts at End of Period - This total should agree with the total of Lines S30 and S31.

ANALYSIS OF EARNINGS SCHEDULES

Schedule H - Other Income - Itemize amounts over 25% of Line E41.

Schedule I - Other Expense - Itemize amounts over 25% of Line E52.

Schedule J - Changes in Surplus Accounts - This schedule must contain all changes in the surplus accounts which have occurred during the reporting period. The total balances for the beginning of the period should agree with Line E62. Transfers to and from Guaranty Fund and Surplus accounts must be detailed. Total balance at end of period should agree with Line E61.

Schedule K - Allowance for Possible Losses - All figures in this schedule should be reported gross. Balance at end of period should agree with total of Lines A13 and A17.

Schedule L - Gains and Losses on Securities Sold or Exchanged - Aggregate total transactions in specific category accounts. Net total should agree with Line E57.

Schedule M - Extraordinary Items - This schedule should be used to describe extraordinary items or accounting changes as defined by G.A.A.P. The financial effects, after applicable income taxes, of these items should be reported on Line E60 of the Consolidated Report of Earnings. Do not inclue the sale of mortgages or bank premises and equipment as extraordinary items. It should be noted that there will be certain transactions which qualify under G.A.A.P. as prior period adjustments, (i.e., averting to accrual accounting). These adjustments should be reported in Schedule J as retroactive adjustments to beginning surplus.

EDWARD J. KING
GOVERNOR

GERALD T. MULLIGAN
COMMISSIONER

The Commonwealth of Massachusetts

Office of the Commissioner of Banks

State Office Building, Government Center
100 Cambridge Street, Boston 02202

February 5, 1982

TO THE CHIEF EXECUTIVE OFFICER OF THE INSTITUTION ADDRESSED:

Enclosed please find materials relating to the new mortgage disclosure directive of the Division of Banks for banks and credit unions with main offices in the Boston or Springfield-Chicopee-Holyoke standard metropolitan statistical area (SMSA). The materials are being sent only to institutions subject to the new directive. As in previous years, the Division will be seeking an exemption from Regulation C of the Federal Reserve Board for institutions complying with state mortgage disclosure procedures.

The enclosed materials include:

(1) The new mortgage disclosure directive, Administrative Bulletin Reference No. 18-2C.

(2) A copy of the form that the covered institution must prepare, make available for public inspection, and file with the Division of Banks. (No magnetic tapes will be used.)

(3) Instructions for completion of the form.

(4) A mortgage disclosure contact sheet the institution must complete and return to the Division of Banks by February 24, 1982.

Please note that mortgage disclosure forms for calendar year 1981 are due at the Division of Banks no later than March 31, 1982. The Division is aware that this is a fast approaching date, but good faith efforts at compliance are nonetheless expected. If questions arise in the meantime, they should be directed to Yvette Johnson (617-727-3141) or John Heerwagen (617-727-0529) at the Division.

Very truly yours,

Gerald T. Mulligan

GTM/emc

Enclosures

Approved by :John J. Manton,State Purchasing Agent

MASS. AF-24.8: A65/18-2C

V

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

GOVERNMENT DOCUMENTS
COLLECTION
AUG 9 1983
University of Massachusetts
Depository Copy

Reference No. 18-2C Mortgage Disclosure

AUTHORITY

This directive is issued pursuant to authorities granted under Section 7 of Chapter 167 of the Massachusetts General Laws.

APPLICABILITY

All banks and credit unions having main offices within the Boston or Springfield-Chicopee-Holyoke standard metropolitan statistical area (SMSA), as defined by the U.S. Department of Commerce, and having assets in excess of $50 million shall report on lending activities in accordance with procedures outlined herein.

DEFINITIONS

"Federal Housing Administration (FHA), Farmers Home Administration (FmHA), or Veterans Administration (VA) loans" means mortgage loans insured under Title II of the National Housing Act or under Title V of the Housing Act of 1949 or guaranteed under Chapter 37 of Title 38 of the United States Code.

"Home Improvement loan" means any loan, including a refinancing, (1) the proceeds of which, as stated by the borrower to the lender at the time of loan application, are to be used for repairing, rehabilitating, or remodeling a residential dwelling and (2) that is recorded on the institution's books as a home improvement loan.

"Home purchase loan" means any loan, including a refinancing, secured by and made for the purpose of purchasing residential real property, including single-family homes, dwellings for two-to-four families, other multifamily dwellings, and individual units of condominiums or cooperatives. (An institution may categorize a first-lien loan made for home improvement purposes as a home purchase loan if that is the manner in which it normally records first-lien loans.) The term does not include temporary financing, such as a bridge loan or a construction loan, or the purchase of an interest in a pool of mortgage loans, such as mortgage participation certificates issued or guaranteed by the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, or the Farmers Home Administration.

"Total dollar amount" means (1) the original principal amount of loans originated by the institution (to the extent of its ownership interest, when the loan is made jointly or cooperatively) and (2) the unpaid balance of loans purchased by the depository institution (to the extent of its ownership interest in such purchased loans).

COMPILATION OF LOAN DATA

An institution subject to this directive shall compile data on the number and total dollar amount of home purchase and home improvement loans that it originates and purchases. The data shall be compiled for each calendar year beginning with calendar year 1981 and shall be compiled separately for originations and purchases. Further, the data shall be prepared on forms supplied by the Division of Banks.

The data shall be itemized according to the SMSA in which the main office of the institution is located and according to the census tracts comprising that SMSA. For this purpose, the institution shall use the SMSA boundaries defined by the U.S. Department of Commerce as of the first day of the calendar year for which the data are compiled. The institution shall also use census tract numbers and boundaries defined by the U.S. Department of Commerce in connection with the 1980 Census of Population and Housing.

The itemization shall be based on the location of the property to be purchased or improved with the proceeds of the loan. If the property is located in an area of the SMSA of the main office that has not been assigned census tracts, itemization by county shall be used instead of itemization by census tract. If the property is located outside the SMSA of the main office, no itemization is required and the data for all such loans shall instead be listed as an aggregate sum.

The data shall be further itemized according to the following: (1) FHA, FmHA, and VA loans on one-to-four family dwellings; (2) other home purchase (conventional) loans on one-to-four family dwellings; (3) home improvement loans on one-to-four family dwellings; (4) total home purchase and home improvement loans on dwellings for more than four families; and (5) total home purchase and home improvement loans on one-to-four family dwellings (from categories (1), (2), and (3) above) made to any borrower who did not, at the time of loan application, intend to use the property as a principal dwelling. (The institution may assume, unless its records contain information to the contrary, that a loan it purchases does not fall within this last category. Also, reporting under this category is not required for loans on property in areas outside the SMSA of the main office.)

The institution shall not disclose loan data for (1) loans originated or purchased by the institution acting as trustee or in some other fiduciary capacity; (2) loans on unimproved land; or (3) refinancings that the institution originates, if there is no increase in the principal that is outstanding on the existing loan at the time of the refinancing and if the institution and the borrower are the same parties on the existing loan and the refinancing.

DISCLOSURE AND REPORTING REQUIREMENTS

An institution subject to this directive shall make its loan disclosure statements available to the public by March 31 following the calendar year for which the data were compiled. The institution shall continue to make the data available for five years from that date.

The institution shall make all disclosure statements required by this directive available at its main office. The institution shall make its disclosure statements available to anyone requesting them for inspection or copying during the hours the office is normally open to the public for business. (An institution that provides photo-copying facilities may impose a reasonable charge for this service.) Further, the institution shall provide notice of the availablity of its mortgage loan data by posting a notice in the lobbies of its main and branch offices that are located in the Boston or Springfield-Chicopee-Holyoke SMSA.

Finally, the institution shall send two copies of the disclosure statements required by this directive to the Division of Banks by March 31 following the calendar year for which the data were compiled.

ENFORCEMENT

Any violation of this directive will be subject to fines or sanctions as set forth in Section 7 of Chapter 167 of the Massachusetts General Laws. A violation may also be considered as a negative factor in measuring compliance with the Division's directive relating to community reinvestment.

EDWARD J. KING
GOVERNOR
GERALD T. MULLIGAN
COMMISSIONER

The Commonwealth of Massachusetts

Office of the Commissioner of Banks

State Office Building, Government Center
100 Cambridge Street, Boston 02202

December 6, 1982

TO THE CHIEF EXECUTIVE OFFICER OF THE INSTITUTION ADDRESSED:

Re: Home Mortgage Disclosure, Calendar Year 1982

Enclosed please find materials relating to home mortgage disclosure procedures for Calendar Year 1982. The materials include loan disclosure forms that must be filed with the Division of Banks, instructions for completion of the forms, and a mortgage disclosure contact sheet. Each institution should already have the Division's directive on mortgage disclosure, Administrative Bulletin No. 18-2C.

The procedures are virtually the same as they were for Calendar Year 1981. Institutions with main offices in the Boston or Springfield-Chicopee-Holyoke standard metropolitan statistical area (SMSA) and with assets in excess of $50 million must report on mortgage and home improvement lending in the SMSA of the home office. Loan data must be itemized by census tracts defined in connection with the 1980 Census of Population and Housing. The reports will cover the year ending December 31, 1982 and will be due at the Division by March 31, 1983. (The contact sheet must be submitted by January 15, 1983.)

Please note that there is one change in this year's procedures: Institutions must submit three copies of the mortgage loan disclosure statement instead of two. This is to accommodate a request by the Federal Reserve Board for two copies of the data filed with the Division.

Finally, by order of October 29, 1982, the Federal Reserve Board has continued the exemption from Regulation C for institutions complying with the Division's mortgage disclosure procedures. Specifically, institutions subject to the state directive will be exempt from Regulation C to the extent they report loan activity in the SMSA of their home office. Institutions with branches in other SMSAs may, however, be subject to Regulation C for loans in those areas and should consult the federal regulation accordingly.

Your cooperation in this matter will again be appreciated. If any questions arise, please contact Ms. Yvette Johnson of the Division's Consumer Credit section at (617) 727-3141.

Very truly yours,

Gerald T. Mulligan

Gerald T. Mulligan

Enclosures

MORTGAGE DISCLOSURE CONTACT

CALENDAR YEAR 1982

Reporting Institution

Name: _____

Address: _____

_____

Individual at Institution Responsible for Mortgage Disclosure

Name: _____

Title: _____

Telephone Number: _____

PLEASE COMPLETE AND RETURN TO:

DIVISION OF BANKS
COMMONWEALTH OF MASSACHUSETTS
100 CAMBRIDGE STREET
BOSTON, MA 02202
ATTN: Ms. Yvette Johnson

NO LATER THAN January 15, 1983

Commonwealth of Massachusetts

Mortgage Loan Disclosure Statement:

INSTRUCTIONS FOR COMPLETION OF FORM

(Note: The state mortgage disclosure form and instructions are similar to those established by the Federal Reserve Board pursuant to Regulation C. There are differences, however, and institutions reporting under state procedures should follow carefully the directions set forth below.)

DATA TO BE SHOWN.

1. The institution must show the data on residential mortgage and home improvement loans that were originated and purchased during the calendar year covered by the statement.

2. Data for each category on the statement must show both the number of loans and the total dollar amount of loans.

3. Data for loans originated by the institution are to be shown in Part A and data for loans purchased in Part B.

4. Dollar amounts are to be rounded to the nearest thousand ($500 will be rounded up), and shown in terms of thousands.

DATA TO BE EXCLUDED:

1. The institution should not report loans that, although secured by real estate, are made for purposes other than the purchase of residential real estate or home improvement (for example, a loan secured by residential real property for purposes of financing education, a vacation, or business operations).

2. Also excluded from disclosure: construction loans and other temporary financing; loans made or purchased by the institution acting in a fiduciary capacity (by the institution's trust department, for example); loans on unimproved land; and refinancings of loans originated by the institution that involve no increase in the outstanding principal (provided the parties to the loan remain the same).

GEOGRAPHIC ITEMIZATION (Grouping of loan data by SMSA, census tract or county, and outside-SMSA).

1. Loan data are to be itemized only for the SMSA in which the institution has its main office. (See item 3 below for treatment of loans outside the SMSA.) The institution must use the SMSA boundaries as defined by the U.S. Department of Commerce on January 1 of the calendar year for which the loan data are compiled.

2. Loan data on property within the SMSA shall be further itemized by the census tract in which the property is located, except that the loan data shall be itemized by county instead of census tract when the property to which the loan relates is located in an area that is not divided into census tracts. The institution must use the census tract numbers and boundaries defined by the U.S. Department of Commerce in connection with the 1980 Census of Population and Housing.

3. If the property to which the loan relates is located outside the SMSA of the institution's main office, the loan data should be noted as an aggregate sum in Section 2 of the form; no geographic itemization is necessary.

TYPE OF LOAN ITEMIZATION (Itemization of each geographic grouping into loan categories).

1. Column A:

   FHA, FmHA, and VA loans on 1-to-4 family dwellings. This category includes loans that are secured by liens (both first and junior liens) and that are made for the purpose of purchasing residential real property and that have FHA, FmHA, and VA insurance or guarantee. It includes refinancings (but see item 2 under DATA TO BE EXCLUDED). It may include, at the institution's option, first lien loans for home improvement purposes if the institution normally classifies first lien loans as purchase loans. It does not include FHA Title I loans, which are to be entered in column C.

2. Column B:

   Other home purchase loans ("conventional" loans) on 1-to-4 family dwellings. This category includes loans secured by liens (both first and junior liens) and made for the purpose of purchasing residential real property, other than FHA, FmHA, and VA loans. It includes refinancings (but see item 2 under DATA TO BE EXCLUDED). It may include, at the institution's option, first lien loans for home improvement purposes if the institution normally classifies first lien loans as purchase loans.

3. Column C:

Home improvement loans on 1-to-4 family dwellings. This category is limited to any loan, including a refinancing, that is to be used for repairing, rehabilitating, or remodeling a residential dwelling and that is recorded on the institution's books as a home improvement loan. It includes both secured and unsecured loans.

4. Column D:

Loans on multi-family dwellings (5 or more families). This category includes home purchase and home improvement loans - that is, it covers the same types of loans as are covered in columns A, B, and C. The difference is that those columns relate to loans on 1-to-4 family dwellings, whereas column D relates to loans on dwellings for 5 or more families.

5. Column E:

Non-occupant loans on 1-to-4 family dwellings. This is an addendum category for reporting those home purchase and home improvement loans on 1-to-four family dwellings (recorded in columns A, B, and C) that were made to a borrower who did not, at the time of the loan application, intend to use the property as a principal dwelling. The institution may assume, unless its records contain information to the contrary, that a loan it purchases does not fall within this category.

WHEN AND WHERE TO FILE

1. The institution must send three copies of the disclosure statement to the Division of Banks, Commonwealth of Massachusetts, 100 Cambridge Street, Boston, MA, 02202 no later than March 31 following the calendar year for which the loan data were compiled.

2. The institution must make its disclosure statement available no later than March 31 for examination by the public.

MORTGAGE LOAN DISCLOSURE STATEMENT

(Adapted from Federal Reserve Board HMDA-1)

Report for loans made in 19____

This report is required by Administrative Bulletin 18-2C of the Division of Banks

Depository Institution

_____
Name

_____
Address

Enforcement Agency for this Institution

Massachusetts Division of Banks
Name

100 Cambridge Street, Boston, MA 02202
Address

Census tract ser

SMSA (location c

PART A—ORIGINATIONS

SECTION 1—LOANS ON PROPERTY LOCATED WITHIN THE SMSA IN WHICH INSTITUTION HAS ITS MAIN OFFICI

CENSUS TRACT (In numerical sequence) where property located or COUNTY (name) where property located	Loans on 1-to-4 family dwellings						Loans on Dwellings families (ho and homo	
	Home Purchase Loans				Home Improvement Loans			
	FHA, FmHA, and VA		Other ("Conventional")					
	A		B		C			
	No. of Loans	Principal Amount (Thousands)	No. of Loans	Principal Amount (Thousands)	No. of Loans	Principal Amount (Thousands)	No. of Loans	Pi
SMSA TOTAL								

SECTION 2—LOANS ON ALL PROPERTY LOCATED ELSEWHERE

Mass

PART B—PURCHASES

SECTION 1—LOANS ON PROPERTY LOCATED WITHIN THE SMSA IN WHICH INSTITUTION HAS ITS MAIN OFFICE

CENSUS TRACT (In numerical sequence) where property located or COUNTY (name) where property located	Loans on 1 - to - 4 family dwellings						Loans on M Dwellings fo families (hom and home Im	
	Home Purchase Loans				Home Improvement Loans			
	FHA, FmHA, and VA A		Other ("Conventional") B		C		D	
	No. of Loans	Principal Amount (Thousands)	No. of Loans	Principal Amount (Thousands)	No. of Loans	Principal Amount (Thousands)	No. of Loans	Prin (T
SMSA TOTAL								

SECTION 2—LOANS ON ALL PROPERTY LOCATED ELSEWHERE

1980 Disclosure Report Contact Information

Bank Name _____

Address _____

_____

I. Person to contact at your bank concerning this report:

Name _____

Title _____

Telephone No. _____

II. Will you be doing your own data processing? Yes____ No _____

IF YES, provide name and telephone number of person to contact at your bank concerning data processing, if different than above:

Name _____

Telephone No. _____

IF NO, provide name of data processing service you will be using, person responsible for your account, and telephone number:

Name of Data Processing Service _____

Address _____

_____

Name of Person Responsible
for your account _____

Telephone Number _____

M O R T G A G E S

How data is reported:

1. Data will be reported broken out by geocode on magnetic computer tape.

2. Data reported by geocode on magnetic computer tape will also be reported on hard copy forms as totals for your bank (FORMS A, B, C, D, E, G, H, I, J, and K)

3. Certain data for reconciliation purposes will be reported only in hard copy form (FORM X)

Where mortgage data is recorded:

There are two different ways in which mortgage information must be submitted. FORMS A through E cover OUTSTANDING MORTGAGES (portfolio composition) as of 30 June 1980. FORMS G through K cover MORTGAGE ACTIVITY (applications and granteds) for one year ending 30 June 1980. Within these two categories, the breakdown of loan types is the same. Below is a chart indicating the types of loans and their particular forms.

Mortgage or loan type	Form for Outstandings	Form for one year's activity
All conventional mortgages on 1-4 family residences	A	G
All mortgages insured by FHA or guaranteed under the VA, excluding federally insured home improvement loans	B	H
All mortgages on other buildings designed principally as residences	C	I
All other mortgages, excluding construction loans, participation loans, or any loans owned as a block	E	K
All loans for home improvements, whether collateralized by real property or taken out as personal installment loans, including FHA Title 1 Home Improvement Loans	D	J

Approved by Alfred C. Holland, State Purchasing Agent
Publication # 11898-150-13-5-80-CR

I. WHAT IS REPORTED BROKEN OUT BY GEOCODE

Individual mortgages: Data on individual mortgages in the Bank's portfolio must be supplied broken out by geocode for each of the two ways in which mortgages are reported (i.e., outstandings: FORMS A-E; one year's activity: FORMS G-K).

For instance, if your bank has outstanding in one particular geocode each of the five loan types in the chart above, there will be five different records (FORMS A-E) for that geocode. If your bank has granted and/or has had applications for all five types of loans in a particular geocode area within the year ending this June 30th, there will again be at least five different records (FORMS G-K) for that geocode. A maximum of ten different mortgage records per geocode is possible.

Participations: Only participations in an individual mortgage (a single mortgage made in cooperation with one or several other financial institutions) must be reported by geocode, and only for the amount of the share purchased or retained by your Bank. All other participation arrangements are reported only in aggregate totals for reconciliation purposes, under the instructions of section III below.

Note on Geocodes

Data submitted on computer tape will be geocoded by zip code. For the Cities of Boston and Lynn, information must be coded by census tract as well as by zip code. There are in addition four special geocodes:

66666	City of Boston and City of Lynn data not assignable to a census tract
77777	Data not assignable to a zip code
88888	Data outside the Boston SMSA but inside Massachusetts ("Other Massachusetts")
99999	Data outside the state ("Out of State")

Data within the Boston Standard Metropolitan Statistical Area (SMSA) is the only data that must be assigned a geocode on a deposit-by-deposit or mortgage-by-mortgage basis. This data is then classified by FORM (FORM 1 for deposits and FORMS A-E, G-K for mortgages), aggregated into one total on each applicable FORM for each geocode in which there is activity, and reported on computer tape.

Note that the four special geocodes above are aggregate totals for your Bank. Whatever does not fit into Boston SMSA geocodes must go in either 88888 ("Other Massachusetts") or 99999 ("Out of State"). Data

known to pertain to the Cities of Boston or Lynn but unassignable to a particular census tract goes as a total for each applicable FORM in 66666. All other unassignable data should go in 77777. These Special geocodes are recorded just as regular geocodes are: there is a maximum of eleven different records (FORMS 1, A-E, G-K) for each special geocode.

The following table summarizes geocoding requirements:

Area	Geocode Type	Use any applicable FORM (1, A-E, G-K) for...
City of Boston	Zip & Census Tract	...each zip code and census tract with activity
City of Lynn	Zip & Census Tract	...each zip code and census tract with activity
Unassigned census tracts	Special geocodes	...one instance of 66666 per FORM
Boston SMSA (except Cities of Boston and Lynn)	Zip Code only	...each zip code with activity
All other Mass. (outside Boston SMSA)	Special geocode	...one instance of 88888 per FORM
Out of State	Special geocode	...one instance of 99999 per FORM
Unassigned Zip	Special geocode	...one instance of 77777 per FORM

Page 6 is a list of zip codes of all communities in the Boston SMSA outside the Cities of Boston and Lynn. Page 7 is a list of zip codes for the cities of Boston and Lynn. Page 8 is a list of census tracts in the Cities of Boston and Lynn.

In most cases, and especially for census tracts, banks or their service bureaus will have geocoding done by an outside commercial processor. For those banks that must geocode manually, information on census tracts can be obtained from two sources:

1) Regional Census Bureau Office
   441 Stuart Street
   Boston, MA

2) United Community Services of Boston
   14 Somerset Street
   Boston, MA

United Community Services publishes a street list for Cities of Boston and Lynn, by census tract

II. GEOCODE DATA ALSO REPORTED AS HARD COPY TOTALS

The data reported by geocode on computer tape must be totaled into various categories and recorded on the hard copy forms provided (FORMS A-E, G-K). The categories are indicated on the hard copy form.

III. WHAT IS REPORTED ONLY IN AGGREGATE FORM FOR RECONCILIATION PURPOSES

In addition to geocoded computer data on the five types of mortgages listed above, certain types of loans must be reported as totals for your bank on the hard copy form provided (FORM Y). This will permit us to reconcile totals reported to us under II and III of this sheet to various call reports and reports of condition. Depending on your bank, some of these loan types will be relevant and others not. A list of loan types and a full explanation of how totals should be reported is given below.

The instructions regarding participation in pools of loans vary somewhat between Commercials and Thrifts (Savings, Coops, and Credit Unions). This reflects a difference between the way such loans are reported by Commercial banks to FDIC on the Consolidated Report of Condition and by Thrift institutions on the State Banking Commissioner's Call Report.

Instructions regarding construction loans and loans secured by farmland are the same for both types of institution.

1. Construction Loans: Report as one total amount for your bank.

2. Loans Secured by Farmland: Report as one total amount for your bank.

3. Participations: (Separate instructions for Commercials and Thrifts as follows

Thrifts (as per Commissioner's Call Report Instructions)

A. Report ALL TYPES OF PARTICIPATION LOANS (except participations in individual loans) as a total amount representing only your bank's share in the participation. Participations in individual loans should be reported in geocoded form on the magnetic tape, as indicated on page 2 in the paragraph labeled 'participations'.

B. Do not report any shares represented by CERTIFICATES OF PARTICIPATION, BONDS, NOTES, OR DEBENTURES issued by the U. S. Government and its Agencies such as FNMA, GNMA, or FHLMA. These are classified by the Commissioner's Call Report as securities.

Commercials (as per FDIC instructions for Consolidated Report of Condition)

A. GNMA AND SBA GUARANTEED PARTICIPATIONS should not be reported. These are treated by FDIC as assets (item 3, FDIC Consolidated Report).

B. INDIVIDUAL PARTICIPATIONS (participations in individual loans) should be reported in geocoded form on the magnetic tape, as indicated on page 2 in the paragraph labeled 'participations'.

C. Participations purchased by your bank with an AGREEMENT TO RESELL should not be reported. These are regarded by FDIC as loans to other financial institutions.

D. Participations sold by your bank with an AGREEMENT TO REPURCHASE should be reported as a total including each entire pool of this type (i.e., both the share sold and the share retained).

E. "PASS-THROUGH" PARTICIPATIONS IN POOLS OF LOANS where there is a pro rata sharing of the pooled loans and a proportionate sharing of principle and interest payments (i.e., in which the terms of the participation are the same as those of the underlying loans) should be reported as a total representing only your bank's share of such participations.

F. Participations in POOLS OF LOANS where the terms of the instrument of participation differ from the terms of the loans comprising the pool:

(1) Sellers of shares in such participations should report the total amount of the entire pool

(2) Buyers of shares in such participations should not report them in any total.

N O T E S

Condominiums should be classified as 1-4 family residences, either on Forms A and G for conventional loans, or on Forms B and H for FHA-VA loans.

"Average Interest Rate" as used on FORMS A, B, C, E, G, H, I, & K is defined as the sum of interest rates of the applicable loans divided by the number of such loans.

"Average Loan to Value Ratio" as used on FORMS G, H, I, & K is defined as the total of mortgage dollars granted under the applicable mortgages divided by the total appraised value of all the properties covered be those mortgages.

ZIP CODES, cities and towns in SMSA
EXCEPT Boston & Lynn

The Zip Codes listed below are for areas in the Boston SMSA that should only be submitted geocoded by Zip Code.

01701	Framingham	02043	Hingham	02167	Newton
01719	Boxborough	02045	Hull	02168	Newton
01720	Acton	02047	Duxbury	02169	Quincy
01721	Ashland	02050	Marshfield	02170	Quincy
01730	Bedford	02051	Marshfield	02171	Quincy
01741	Carlisle	02052	Medfield	02172	Watertown
01742	Concord	02053	Medway	02173	Lexington
01746	Holliston	02054	Millis	02174	Arlington
01760	Natick	02056	Norfolk	02175	Arlington Heights
01770	Sherborn	02059	Marshfield	02176	Melrose
01773	Lincoln	02060	Scituate	02177	Melrose
01776	Sudbury	02061	Norwell	02178	Belmont
01778	Wayland	02062	Norwood	02179	Belmont
01801	Woburn	02065	Scituate	02180	Stoneham
01803	Burlington	02066	Scituate	02181	Wellesley
01864	North Reading	02067	Sharon	02184	Braintree
01867	Reading	02071	Walpole	02185	Braintree
01880	Wakefield	02072	Stoughton	02186	Milton
01887	Wilmington	02081	Walpole	02187	Milton Village
01890	Winchester	02090	Westwood	02188	Weymouth Landing
01906	Saugus	02093	Wrentham	02189	Weymouth
01907	Swampscott	02138	Cambridge	02190	Weymouth
01908	Nahant	02139	Cambridge	02191	Weymouth
01915	Beverly	02140	Cambridge	02192	Needham
01921	Boxford	02141	Cambridge	02193	Weston
01923	Danvers	02142	Cambridge	02194	Needham Heights
01935	Hamilton	02143	Somerville	02195	Newton
01940	Lynnfield	02144	Somerville	02326	Pembroke
01944	Manchester	02145	Somerville	02327	Duxbury
01945	Marblehead	02146	Brookline	02332	Duxbury
01949	Middleton	02147	Brookline	02339	Hanover
01960	Peabody	02148	Malden	02341	Hanson
01965	Beverly	02149	Everett	02343	Holbrook
01970	Salem	02150	Chelsea	02351	Abington
01982	Hamilton	02151	Revere	02358	Pembroke
01983	Topsfield	02152	Winthrop	02359	Pembroke
01984	Wenham	02153	Tufts College	02364	Kingston
02018	Hingham	02154	Waltham	02368	Randolph
02019	Bellingham	02155	Medford	02370	Rockland
02020	Marshfield	02156	Medford		
02021	Canton	02158	Newton Corner		
02025	Cohasset	02159	Newton		
02026	Dedham	02160	Newtonville		
02030	Dover	02161	Newton Highlands		
02032	Walpole	02162	Newton Lower Falls		
02035	Foxborough	02164	Newton Upper Falls		
02038	Franklin	02165	Newton		
02041	Marshfield	02166	Newton		

ZIP CODES, cities of BOSTON & LYNN

The Zip Codes listed below are for areas in the Boston SMSA that must also submit information geocoded by Census Tract.

Boston:

02101	Main P.O. Boxes	02123	Back Bay - P.O. Boxes
02102	"	02124	Codman Square
02103	"	02125	Uphams Corner
02104	"	02126	Mattapan
02105	"	02127	South Boston
02106	"	02128	East Boston
02107	"	02129	Charlestown
		02130	Jamaica Plain
02108	Downtown P.O. Boxes	02131	Roslindale
02109	"	02132	West Roxbury
02110	"	02133	State House
02111	"	02134	Allston
		02135	Brighton
02112	Essex Station	02136	Hyde Park
02113	Hanover Street	02137	Readville
02114	West End	02163	Soldier's Field
02115	Back Bay	02183	Federal Reserve
02116	Back Bay - Tremont	02199	Prudential Center
02117	Back Bay - P.O. Boxes	02201	City Hall
02118	South End	02202	State Office Building
02119	Roxbury	02203	J.F.K. Building
02120	Roxbury Crossing	02210	Army Base
02121	Grove Hall	02215	Kenmore
02122	Field's Corner	02241	First National Bank

Lynn:

01901		01903
01902		01904
	01905	

CENSUS TRACTS, cities of Boston & Lynn

The census tracts listed below are for areas in the Boston SMSA that must submit information geocoded by census tract as well as by zip code. These areas constitute the cities of Boston and Lynn. PLEASE NOTE that we are not requesting that any census tracts be aggregated into other census tracts.

Boston:

0001	0501	0707	0906	1103
0002	0502	0708	0907	1104
0003	0503	0709	0908	1105
0004	0504	0710	0909	1106
0005	0505	0711	0910	1201
0006	0506	0712	0911	1202
0007	0507	0801	0912	1203
0008	0508	0802	0913	1204
0101	0509	0803	0914	1205
0102	0510	0804	0915	1206
0103	0511	0805	0916	1207
0104	0512	0806	0917	1301
0105	0601	0807	0918	1302
0106	0602	0808	0919	1303
0107	0603	0809	0920	1304
0108	0604	0810	0921	1401
0201	0605	0811	0922	1402
0202	0606	0812	0923	1403
0203	0607	0813	0924	1404
0301	0608	0814	1001	
0302	0609	0815	1002	
0303	0610	0816	1003	
0304	0611	0817	1004	
0305	0612	0818	1005	
0401	0613	0819	1006	
0402	0614	0820	1007	
0403	0701	0821	1008	
0404	0702	0901	1009	
0405	0703	0902	1010	
0406	0704	0903	1011	
0407	0705	0904	1101	
0408	0706	0905	1102	

Lynn:

2051	2056	2061	2066	2071
2052	2057	2062	2067	2072
2053	2058	2063	2068	
2054	2059	2064	2069	
2055	2060	2065	2070	

DEFINITION

"Form D" includes all outstanding loans granted for the purpose of making home imporvements, whether collateralized by real property or taken out as a personal, installment loan; includes FHA Title I home improvement loans.

FORM D — OUTSTANDING HOME IMPROVEMENT LOANS — As of June 30, 1980

Geographic Area (Census Tract or Zip Code Totals)	number of loans outstanding	dollar amount of outstanding loans
Boston SMSA (Zip Code Total, includes Boston & Lynn)		
All Other Massachusetts (88888)		
Out of State (99999)		
Unidentified Zip Code (77777)		
Grand Total (All Boston SMSA Zip Codes plus All Other Massachusetts, Out of State, & Unidentified Zip Code)		
MEMORANDA		
Boston & Lynn - Zip Code Total		
Boston & Lynn - Census Tract Total		
Unidentified Census Tract Total		

Note: Information for individual census tracts or zip codes should not be submitted in non-computerized form to the Office of the Commissioner of Banks. Only the above specified totals should be sent to this office in hard copy. Data submitted in non-computerized form to the Office of the Commissioner of Banks.

DEFINITIONS

"Form A" includes all conventional mortgages outstanding on residences for 1-4 families

"Form B" includes all outstanding mortgages which are insured by the Federal Housing Administration or guaranteed under the Veteran Administration excluding Federally insured home improvement loans (See "Form D")

"Form C" includes all conventional mortgages outstanding on all other buildings designed principally as residences

"Form E" includes all other outstanding mortgages

FORM (A, B, C or E) OUTSTANDING MORTGAGES As of June 30, 1980

Geographic Area (Census Tract or Zip Code Totals)	number of mortgage loans outstanding	average interest rate	amount of mortgage dollars outstanding
Boston SMSA (Zip Code Total, includes Boston & Lynn)			
All Other Massachusetts (88888)			
Out of State (99999)			
Unidentified Zip Code (77777)			
Grand Total (All Boston SMSA Zip Codes plus All Other Massachusetts, Out of State, and Unidentified Zip Code)			
MEMORANDA			
Boston & Lynn - Zip Code Total			
Boston & Lynn - Census Tract Total			
Unidentified Census Tract Total			

Note: Information for individual census tracts or zip codes should not be submitted in non-computerized form to the Office of the Commissioner of Banks. Only the above specified totals should be sent to this office.

DEFINITION

"Form J" includes all loans made from July 1, 1979 to June 30, 1980 for the purpose of making home improvements, whether collateralized by real property or taken out as a personal, installment loan; includes FHA Title I home improvement loans.

FORM J — MORTGAGE ACTIVITY, HOME IMPROVEMENT LOANS — From July 1, 1979 To June 30, 1980

Geographic Area (Census Tract or Zip Code Totals)	number of loans granted	amount granted	number of applications	dollar amount applied for
Boston SMSA (Zip Code Total, includes Boston & Lynn)				
All Other Massachusetts (88888)				
Out of State (99999)				
Unidentified Zip Code (77777)				
Grand Total (All Boston SMSA Zip Codes plus All Other Massachusetts, Out of State, & Unidentified Zip Code)				
MEMORANDA				
Boston & Lynn - Zip Code Total				
Boston & Lynn - Census Tract Total				
Unidentified Census Tract Total				

Note: Information for individual census tracts or zip codes should not be submitted in non-computerized form to the Office of the Commissioner of Banks

DEFINITIONS

"Form G" includes all conventional mortgages made from July 1, 1979 to June 30, 1980 on residences designed for 1-4 families

"Form H" includes all mortgages made from July 1, 1979 to June 30, 1980 which are insured by the Federal Housing Administration or the Veterans Administration excluding Federally insured home improvement loans (See "Form J")

"Form I" includes all conventional mortgages made from July 1, 1979 to June 30, 1980 on all other buildings designed principally as residences

"Form K" includes all other mortgage loans made from July 1, 1979 to June 30, 1980

FORM (G, H, I or K) MORTGAGE ACTIVITY From July 1, 1979 To June 30, 1980

Geographic Area (Census Tract or Zip Code Totals)	number of mortgage loans granted	average int. rate	mortgage dollars granted	avg. loan to value ratio	number of applications	dollar amt. of mortgage applications	numb of fore- closur
Boston SMSA (Zip Code Total, includes Boston & Lynn)							
All Other Massachusetts (88888)							
Out of State (99999)							
Unidentified Zip Code (77777)							
Grand Total (All Boston SMSA Zip Codes plus All Other Massachusetts, Out of State, & Unidentified Zip Code)							
MEMORANDA							
Boston & Lynn - Zip Code Totals							
Boston & Lynn - Census Tract Totals							
Unidentified Census Tract Total							

Note: Information for individual census tracts or zip codes should not be submitted in non-computerized form to the Office of the Commissioner of Banks. Only the above specified totals should be sent to this office.

DEFINITIONS

"FORM Y" includes aggregate totals for your Bank of certain mortgage amounts requested in hard copy form only. Please refer to Mortgage Instructions, Part III, for full instructions.

FORM Y	AGGREGATED SPECIAL MORTGAGES	As of June 30, 1980
Construction loans: total amount outstanding		
Loan secured by farmland: total amount outstanding		
Participations (note seperate lines for Thrifts and Commercials)		
Thrifts only		
All Participation loans: Bank's share only		
Commercials only		
Participations in individual loans: Bank's share only		
Participations SOLD with an agreement to REPURCHASE: Both share sold and share retained by Bank		
"Pass Through" participations: Bank's share only		
Pools of loans with terms of instrument different form terms of underlying loans: SELLERS ONLY of such participations report entire amount of pool(s) (both share retained and share sold by Bank)		
TOTAL ALL amounts of mortgage dollars outstanding from		
FORM A		
FORM B		
FORM C		
FORM D		
FORM E		
GRAND TOTAL		

D E P O S I T S

How data is reported:

1. Data will be reported broken out by geocode on magnetic computer tape.

2. Data reported by geocode on magnetic computer tape will also be reported on hard copy forms as totals for your Bank (FORM 1).

3. Certain data for reconciliation purposes will be reported only in hard copy form (FORM X).

Where deposit data is recorded:

Deposit information for you Bank will be recorded under the layout of FORM 1. Each geocode in which there is deposit activity will be represented by one and only one FORM 1 record. All of the different types of deposits for each geocode (Savings, Time, NOW, Demand) must appear on one unique record for that geocode.

I. WHAT IS REPORTED BROKEN OUT BY GEOCODE

Any of the following types of deposits, whether held by individuals; partnerships; or non-bank, non-government corporations, must be reported. Depending on your Bank, some of these deposit types will be relevant and others not.

-Regular Savings	-Share Accounts	-Special Notice
-Term Deposits	-Keogh	-NOW
-Demand Deposits	-IRA	-Time Deposits

-Certificates of Deposit up to and including $100,000 in value
-Money Market Certificates up to and including $100,000 in value
-Term Certificates up to and including $100,000 in value

Note on Geocodes

Data submitted on computer tape will be geocoded by zip code. For the Cities of Boston and Lynn, information must be coded by census tract as well as by zip code. There are in addition four special geocodes:

code	
66666	City of Boston and City of Lynn data not assignable to a census tract
77777	Data not assignable to a zip code
88888	Data outside the Boston SMSA but inside Massachusetts ("Other Massachusetts")

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99999 : Data outside the state. ("Out of State")

Data within the Boston Standard Metropolitan Statistical Area (SMSA) is the only data that must be assigned a geocode on a deposit-by-deposit or mortgage-by-mortgage basis. This data is then classified by FORM (FORM 1 for deposits and FORMS A-E, G-K for mortgages), aggregated into one total on each applicable FORM for each geocode in which there is activity, and reported on computer tape.

Note that the four special geocodes above are aggregate totals for your Bank. Assignable data with geocodes outside the Boston SMSA must be totalled for each appropriate FORM into one 88888 record (for Other Massachusetts) and/or one 99999 record (for Out of State). Data known to pertain to the Cities of Boston and Lynn but unassignable to a particular census tract is totalled for each applicable FORM into one 66666 record (for Unidentified Census Tracts). All other unassignable data should be totalled for each applicable FORM into one 77777 record (for Unidentified Zip Codes). Just as with regular geocodes, there is a maximum of eleven different records (FORMS 1, A-E, G-K) for each special geocode.

The following table summarizes geocoding requirements:

Area	Geocode Type	Use any applicable FORM (1, A-E, G-K) for...
City of Boston	Zip and Census Tract	...each zip code and census tract with activity
City of Lynn	Zip and Census Tract	...each zip code and census tract with activity
Unassigned to a Census Tract	Special Geocode	...one instance of 66666 per FORM
Boston SMSA (except Cities of Boston & Lynn)	Zip Code only	...each zip code with activity
All Other Mass. (outside Boston SMSA)	Special Geocode	...one instance of 88888 per FORM
Out of State	Special Geocode	...one instance of 99999 per FORM
Unassigned to a Zip Code	Special Geocode	...one instance of 77777 per FORM

Page 5 is a list of zip codes for all communities in the Boston SMSA outside the Cities of Boston and Lynn. Page 6 is a list of zip codes

for the Cities of Boston and Lynn. Page 7 is a list of census tracts in the Cities of Boston and Lynn.

In many cases, banks or their service bureaus will have geocoding done by an outside commercial processor. For those banks that must geocode manually, more detailed information on census tracts can be obtained from two sources:

1) Regional Census Bureau Office
   441 Stuart Street
   Boston, MA

2) United Community Services of Boston
   14 Somerset Street
   Boston, MA

United Community Services publishes a street list for Cities of Boston and Lynn, by census tract.

II. GEOCODE DATA ALSO REPORTED AS HARD COPY TOTALS

The data reported by geocode on computer tape must be totalled into various categories and recorded on the hard copy form provided (FORM 1).

III. WHAT IS REPORTED ONLY IN AGGREGATE FORM FOR RECONCILIATION PURPOSES

The following types of accounts, if they apply in your bank's case, must be reported as one total for your bank on the hard copy sheet (FORM X) provided. This will permit us to reconcile totals reported to us under II and III of this sheet to various call reports and reports of condition. Below is a list of these account types furthur divided by the type of bank which usually holds them.

Commercial Banks:

Money Market Certificates over $100,000 in value
Certificates of Deposit over $100,000 in value
Deposits of the United States Government
Deposits of States and their Political Subdivisions
Deposits of Foreign Governments and Institutions
Deposits of Other Banks (U.S., U.S. Foreign Branches, and Foreign)
Certified and Officer's Checks, and Letters of Credit sold for cash
Club Accounts

Savings and Cooperative Banks:

Money Market Certificates over $100,000 in value
Certificates of Deposit over $100,000 in value
Club Accounts
Accrued interest and dividends (unpaid)
Accrued taxes (unpaid) (includes real estate tax escrow)
Mortgagor's payments received but not yet credited

Credit Unions:

Accrued dividends (unpaid)
Accrued taxes (unpaid) (includes real estate tax escrow)
Club Accounts
Term Certificates over $100,000 in value

This list of account types is divided among bank types to demonstrate that only some of these accounts will typically be relevant to your bank. The hard copy sheet for reporting these items (FORM X) will simply list all the possible account types. Your bank should report as one total only those types of accounts which apply to it.

ZIP CODES, cities and towns in SMSA
EXCEPT Boston & Lynn

The Zip Codes listed below are for areas in the Boston SMSA that should only be submitted geocoded by Zip Code.

01701	Framingham	02043	Hingham	02167	Newton
01719	Boxborough	02045	Hull	02168	Newton
01720	Acton	02047	Duxbury	02169	Quincy
01721	Ashland	02050	Marshfield	02170	Quincy
01730	Bedford	02051	Marshfield	02171	Quincy
01741	Carlisle	02052	Medfield	02172	Watertown
01742	Concord	02053	Medway	02173	Lexington
01746	Holliston	02054	Millis	02174	Arlington
01760	Natick	02056	Norfolk	02175	Arlington Heights
01770	Sherborn	02059	Marshfield	02176	Melrose
01773	Lincoln	02060	Scituate	02177	Melrose
01776	Sudbury	02061	Norwell	02178	Belmont
01778	Wayland	02062	Norwood	02179	Belmont
01801	Woburn	02065	Scituate	02180	Stoneham
01803	Burlington	02066	Scituate	02181	Wellesley
01864	North Reading	02067	Sharon	02184	Braintree
01867	Reading	02071	Walpole	02185	Braintree
01880	Wakefield	02072	Stoughton	02186	Milton
01887	Wilmington	02081	Walpole	02187	Milton Village
01890	Winchester	02090	Westwood	02188	Weymouth Landi
01905	Saugus	02093	Wrentham	02189	Weymouth
01907	Swampscott	02138	Cambridge	02190	Weymouth
01908	Nahant	02139	Cambridge	02191	Weymouth
01915	Beverly	02140	Cambridge	02192	Needham
01921	Boxford	02141	Cambridge	02193	Weston
01923	Danvers	02142	Cambridge	02194	Needham Heights
01936	Hamilton	02143	Somerville	02195	Newton
01940	Lynnfield	02144	Somerville	02326	Pembroke
01944	Manchester	02145	Somerville	02327	Duxbury
01945	Marblehead	02146	Brookline	02332	Duxbury
01949	Middleton	02147	Brookline	02339	Hanover
01960	Peabody	02148	Malden	02341	Hanson
01965	Beverly	02149	Everett	02343	Holbrook
01970	Salem	02150	Chelsea	02351	Abington
01982	Hamilton	02151	Revere	02358	Pembroke
01983	Topsfield	02152	Winthrop	02359	Pembroke
01984	Wenham	02153	Tufts College	02364	Kingston
02018	Hingham	02154	Waltham	02368	Randolph
02019	Bellingham	02155	Medford	02370	Rockland
02020	Marshfield	02156	Medford		
02021	Canton	02158	Newton Corner		
02025	Cohasset	02159	Newton		
02026	Dedham	02160	Newtonville		
02030	Dover	02161	Newton Highlands		
02032	Walpole	02162	Newton Lower Falls		
02035	Foxborough	02164	Newton Upper Falls		
02038	Franklin	02165	Newton		
02041	Marshfield	02166	Newton		

ZIP CODES, cities of
BOSTON & LYNN

The Zip Codes listed below are for areas in the Boston SMSA that must also submit information geocoded by Census Tract.

Boston:

02101	Main P.O. Boxes	02123	Back Bay - P.O. Boxes
02102	"	02124	Codman Square
02103	"	02125	Uphams Corner
02104	"	02126	Mattapan
02105	"	02127	South Boston
02106	"	02128	East Boston
02107	"	02129	Charlestown
		02130	Jamaica Plain
02108	Downtown P.O. Boxes	02131	Roslindale
02109	"	02132	West Roxbury
02110	"	02133	State House
02111	"	02134	Allston
		02135	Brighton
02112	Essex Station	02136	Hyde Park
02113	Hanover Street	02137	Readville
02114	West End	02163	Soldier's Field
02115	Back Bay	02183	Federal Reserve
02116	Back Bay - Tremont	02199	Prudential Center
02117	Back Bay - P.O. Boxes	02201	City Hall
02118	South End	02202	State Office Building
02119	Roxbury	02203	J.F.K. Building
02120	Roxbury Crossing	02210	Army Base
02121	Grove Hall	02215	Kenmore
02122	Field's Corner	02241	First National Bank

Lynn:

01901		01903
01902		01904
	01905	

CENSUS TRACTS, cities of Boston & Lynn

The census tracts listed below are for areas in the Boston SMSA that must submit information geocoded by census tract as well as by zip code. These areas constitute the cities of Boston and Lynn. PLEASE NOTE that we are not requesting that any census tracts be aggregated into other census tracts.

Boston:

0001	0501	0707	0906	1103
0002	0502	0708	0907	1104
0003	0503	0709	0908	1105
0004	0504	0710	0909	1106
0005	0505	0711	0910	1201
0006	0506	0712	0911	1202
0007	0507	0801	0912	1203
0008	0508	0802	0913	1204
0101	0509	0803	0914	1205
0102	0510	0804	0915	1206
0103	0511	0805	0916	1207
0104	0512	0806	0917	1301
0105	0601	0807	0918	1302
0106	0602	0808	0919	1303
0107	0603	0809	0920	1304
0108	0604	0810	0921	1401
0201	0605	0811	0922	1402
0202	0606	0812	0923	1403
0203	0607	0813	0924	1404
0301	0608	0814	1001	
0302	0609	0815	1002	
0303	0610	0816	1003	
0304	0611	0817	1004	
0305	0612	0818	1005	
0401	0613	0819	1006	
0402	0614	0820	1007	
0403	0701	0821	1008	
0404	0702	0901	1009	
0405	0703	0902	1010	
0406	0704	0903	1011	
0407	0705	0904	1101	
0408	0706	0905	1102	

Lynn:

2051	2056	2061	2066	2071
2052	2057	2062	2067	2072
2053	2058	2063	2068	
2054	2059	2064	2069	
2055	2060	2065	2070	

DEFINITION

"Form 1" includes deposit information broken down by types of accounts: (a) savings; (b) time, or notice accounts; (c) N.O.W.; and (d) demand. Club accounts are to be excluded altogether as they are not a source of mortgage funds. This report is confidential and shall not be exhibited to any person, organization or agency except as provided in General Laws, Chapter 167.

FORM 1 — DEPOSIT DISTRIBUTION INFORMATION — As of June 30, 1980

Geographic Area (Census Tract or Zip Code Totals)	number of savings accounts	dollar amount of savings accounts	number of time accounts	dollar amount of time accounts	number of NOW accounts	dollar amount of NOW accounts	number of demand accounts	dollar amount of demand
B-L SMSA (Zip Code Total)								
All Other Massachusetts (88888)								
Out of State (99999)								
Unidentified Zip Code (77777)								
Grand Total (All B-L SMSA Zip Codes plus All Other Massachusetts, Out of State, & Unidentified Zip Code)								
MEMORANDA								
Cities of Boston and Lynn Zip Code Total								
Cities of Boston and Lynn Census Tract Total								
Unidentified Census Tract Total								

Note: Information for individual census tracts or zip codes should not be submitted in non-computerized form to the Office of the Commissioner of Banks. Only the above

DEFINITION

"Form X" includes aggregate totals for you Bank of certain deposit amounts requested in hard copy form only. Please refer to Deposit instructions, Part III, for full details.

FORM X	AGGREGATED SPECIAL DEPOSITS	As of June 30, 1980
Money Market Certificates over $100,000 in value		
Certificates of Deposit over $100,000 in value		
Term Certificates over $100,000 in value		
Deposits of the United States Government		
Deposits of States and their Political Subdivisions		
Deposits of Foreign Governments and Institutions		
Deposits of Other Banks (U.S., U.S. Branches, and Foreign)		
Certified and Officer's Checks, and Letters of Credit sold for cash		
Club Accounts		
Accrued interest and dividends (unpaid)		
Accrued taxes (unpaid) (includes real estate tax escrow)		
Mortgagor's payments received but not yet credited		
Accounts less than two weeks old without Posted Address		
TOTAL ALL DEPOSITS as reported on FORM 1		
GRAND TOTAL		

1980 Disclosure Report Contact Information

Bank Name _____

Address _____

_____

I. Person to contact at your bank concerning this report:

Name _____

Title _____

Telephone No. _____

II. Will you be doing your own data processing? Yes_____ No _____

IF YES, provide name and telephone number of person to contact at your bank concerning data processing, if different than above:

Name _____

Telephone No. _____

IF NO, provide name of data processing service you will be using, person responsible for your account, and telephone number:

Name of Data Processing Service _____

Address _____

_____

Name of Person Responsible
for your account _____

Telephone Number _____

M O R T G A G E S

How data is reported:

1. Data will be reported broken out by geocode on magnetic computer tape.

2. Data reported by geocode on magnetic computer tape will also be reported on hard copy forms as totals for your bank (FORMS A, B, C, D, E, G, H, I, J, and K)

3. Certain data for reconciliation purposes will be reported only in hard copy form (FORM X)

Where mortgage data is recorded:

There are two different ways in which mortgage information must be submitted. FORMS A through E cover OUTSTANDING MORTGAGES (portfolio composition) as of 30 June 1980. FORMS G through K cover MORTGAGE ACTIVITY (applications and granteds) for one year ending 30 June 1980. Within these two categories, the breakdown of loan types is the same. Below is a chart indicating the types of loans and their particular forms.

Mortgage or loan type	Form for Outstandings	Form for one year's activity
All conventional mortgages on 1-4 family residences	A	G
All mortgages insured by FHA or guaranteed under the VA, excluding federally insured home improvement loans	B	H
All mortgages on other buildings designed principally as residences	C	I
All other mortgages, excluding construction loans, participation loans, or any loans owned as a block	E	K
All loans for home improvements, whether collateralized by real property or taken out as personal installment loans, including FHA Title 1 Home Improvement Loans	D	J

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I. WHAT IS REPORTED BROKEN OUT BY GEOCODE

Individual mortgages: Data on individual mortgages in the bank's portfolio must be supplied broken out by geocode for each of the two ways in which mortgages are reported (i.e., outstandings: FORMS A-E; one year's activity: FORMS G-K).

For instance, if your bank has outstanding in one particular geocode in each of the five loan types in the chart above, there will be five different records (FORMS A-E) for that geocode. If your bank has granted and/or has had applications for all five types of loans in a particular geocode area within the year ending this June 30th, there will again be at least five different records (FORMS G-K) for that geocode. A maximum of ten different mortgage records per geocode is possible.

Participations: Only participations in an individual mortgage (a single mortgage made in cooperation with one or several other financial institutions) must be reported by geocode, and only for the amount of the share purchased or retained by your bank. All other participation arrangements are reported only in aggregate totals for reconciliation purposes, under the instructions of section III below.

Note on Geocodes

Data submitted on computer tape will be geocoded by zip code. For the cities of Springfield, Chicopee, and Holyoke, information must be coded by census tract as well as by zip code. There are, in addition, four special geocodes:

66666	Cities of Springfield, Chicopee, and Holyoke data not assignable to a census tract
77777	Data not assignable to a zip code
88888	Data outside the S-C-H SMSA but inside Massachusetts ("other Massachusetts")
99999	Data outside the state ("out of state")

Data within the S-C-H Standard Metropolitan Statistical Area (SMSA) is the only data that must be assigned a geocode on a deposit-by-deposit or mortgage-by-mortgage basis. This data is then classified by FORM (FORM 1 for deposits and FORMS A-E, G-K for mortgages), aggregated into one total on each applicable FORM for each geocode in which there is activity, and reported by computer tape.

Note that the four special geocodes above are aggregate totals for your bank. Whatever does not fit into S-C-H SMSA geocodes must go in either 88888 ("other Massachusetts") or 99999 ("out of state"). Data known to pertain to the cities of Springfield, Chicopee, and Holyoke but unassignable to a particular census tract goes as a total for each

applicable FORM in 66666. All other unassignable data should go into 77777. These special geocodes are recorded just as regular geocodes are; there is a maximum of eleven different records (FORMS 1, A-E, G-K) for each special geocode.

The following table summarizes goecoding requirements:

Area	Geocode Type	Use applicable FORM 1, A-E, G-K for...
Cities of Springfield, Chicopee, & Holyoke	Zip and census tract	...each zip code and census tract with activity
Unassignable to a census tract	Special geocode	...one instance of 66666 per FORM
S-C-H SMSA (except cities of Springfield, Chicopee, & Holyoke)	Zip code only	...each zip code with activity
All Other Mass. (outside S-C-H SMSA)	Special geocode	...one instance of 88888 per FORM
Out of State	Special geocode	...one instance of 99999 per FORM
Unassignable to a zip code	Special geocode	...one instance of 77777 per FORM

Page 6 is a list of zip codes of all communities in the S-C-H SMSA outside the cities of Springfield, Chicopee, and Holyoke. Page 7 is a list of zip codes for the cities of Springfield, Chicopee, and Holyoke. Page 8 is a list of census tracts in the cities of Springfield, Chicopee, and Holyoke.

In most cases, banks or their service bureaus will have geocoding done by an outside commercial processor. For those banks that must geocode manually or in-house, information on census tracts can be obtained from two sources:

1) Regional Census Bureau Office
   441 Stuart Street
   Boston, MA.

2) Springfield City Planning Department
   Springfield City Hall
   Springfield, MA.

II. GEOCODE DATA ALSO REPORTED AS HARD COPY TOTALS

The data reported by geocode on computer tape must be totaled into various categories and recorded on the hard copy forms provided (FORMS A-E, G-K). The categories are indicated on the hard copy form.

III. WHAT IS REPORTED ONLY IN AGGREGATE FORM FOR RECONCILIATION PURPOSES

In addition to geocoded computer data on the five types of mortgages listed above, certain types of loans must be reported as totals for your bank on the hard copy form provided (FORM Y). This will permit us to reconcile totals reported to us under II and III of this sheet to various call reports and reports of condition. Depending on your bank, some of these loan types will be relevant and others not. A list of loan types and a full explanation of how totals should be reported is given below.

The instructions regarding participation in pools of loans vary somewhat between Commercials and Thrifts (Savings, Coops, and Credit Unions). This reflects a difference between the way such loans are reported by Commercial banks to FDIC on the Consolidated Report of Condition and by Thrift institutions on the State Banking Commissioner's Call Report.

Instructions regarding construction loans and loans secured by farmland are the same for both types of institution.

1. Construction Loans: Report as one total amount for your bank.

2. Loans Secured by Farmland: Report as one total amount for your bank.

3. Participations: (Separate instructions for Commercials and Thrifts as follows

Thrifts (as per Commissioner's Call Report Instructions)

A. Report ALL TYPES OF PARTICIPATION LOANS (except participations in individual loans) as a total amount representing only your bank's share in the participation. Participations in individual loans should be reported in geocoded form on the magnetic tape, as indicated on page 2 in the paragraph labeled 'participations'.

B. Do not report any shares represented by CERTIFICATES OF PARTICIPATION, BONDS, NOTES, OR DEBENTURES issued by the U. S. Government and its Agencies such as FNMA, GNMA, or FHLMA. These are classified by the Commissioner's Call Report as securities.

Commercials (as per FDIC instructions for Consolidated Report of Condition)

A. GNMA AND SBA GUARANTEED PARTICIPATIONS should not be reported. These are treated by FDIC as assets (item 3, FDIC Consolidated Report).

B. INDIVIDUAL PARTICIPATIONS (participations in individual loans) should be reported in geocoded form on the magnetic tape, as indicated on page 2 in the paragraph labeled 'participations'.

C. Participations purchased by your bank with an AGREEMENT TO RESELL should not be reported. These are regarded by FDIC as loans to other financial institutions.

D. Participations sold by your bank with an AGREEMENT TO REPURCHASE should be reported as a total including each entire pool of this type (i.e., both the share sold and the share retained).

E. "PASS-THROUGH" PARTICIPATIONS IN POOLS OF LOANS where there is a pro rate sharing of the pooled loans and a proportionate sharing of principle and interest payments (i.e., in which the terms of the participation are the same as those of the underlying loans) should be reported as a total representing only your bank's share of such participations.

F. Participations in POOLS OF LOANS where the terms of the instrument of participation differ from the terms of the loans comprising the pool:

(1) Sellers of shares in such participations should report the total amount of the entire pool

(2) Buyers of shares in such participations should not report them in any total.

N O T E S

Condominiums should be classified as 1-4 family residences, either on Forms A and G for conventional loans, or on Forms B and H for FHA-VA loans.

"Average Interest Rate" as used on FORMS A, B, C, E, G, H, I, & K is defined as the sum of interest rates of the applicable loans divided by the number of such loans.

"Average Loan to Value Ratio" as used on FORMS G, H, I, & K is defined as the total of mortgage dollars granted under the applicable mortgages divided by the total appraised value of all the properties covered be those mortgages.

ZIP CODES, cities and towns in SMSA
EXCEPT Chicopee, Holyoke, Springfield

The zip codes listed below are for areas in the Springfield-Chicopee-Holyoke SMSA that should only be submitted geocoded by zip code.

01001	Agawam
01007	Belchertown
01009	Bondsville
01027	Easthampton
01028	East Longmeadow
01030	Feeding Hills
01033	Granby
01035	Hadley
01036	Hampden
01038	Hatfield
01053	Leeds
01056	Ludlow
01057	Monson
01060	Northampton (city)
01069	Palmer
01073	Southhampton
01075	South Hadley
01077	Southwick
01079	Thorndike
01080	Three Rivers
01083	Warren
01085	Westfield (city)
01089	West Springfield
01095	Wilbraham
01106	Longmeadow

ZIP CODES, cities and towns in
CHICOPEE, HOLYOKE, SPRINGFIELD

The zip codes listed below are for areas in the Springfield-Chicopee-Holyoke SMSA that must also submit information geocoded by census tract.

Chicopee:

01013 Chicopee Center, Willimansat
01020 Aldenville, Chicopee Falls, Fairview
01022 Westover Field

Holyoke:

01040

Springfield:

01101
01103
01104
01105
01107
01108
01109
01118
01119
01128
01129
01151

CENSUS TRACTS, cities and towns in CHICOPEE, HOLYOKE, SPRINGFIELD

The census tracts listed below are for areas in the Springfield-Chicopee-Holyoke SMSA that must submit information geocoded by census tract as well as by zip code. PLEASE NOTE that some of the census tracts listed are six digit numbers. The 6-digit codes have to be contracted to fit the 5-digit zip code/census tract field on the magnetic tape. These 6-digit codes are indicated below in parentheses, to the right of the 5-digit code that should be used instead. For example, tract 8002.01 should be recorded as 80021, tract 8016.04 as 80164, and so forth.

Chicopee:

8105
8106
8107
8108
8109
8110
8111
8112
8113

Holyoke:

8114
8115
8116
8117
8118
8119
8120
8121

Springfield:

8001
80021 (8002.01)
80022 (8002.02)
8003
8004
8005
8006
8007
8008
8009
8010
80111 (8011.01)
80112 (8011.02)
8012
8013
80141 (8014.01)
80142 (8014.02)
80151 (8015.01)
80152 (8015.02)
80153 (8015.03)
80161 (8016.01)
80162 (8016.02)
80163 (8016.03)
80164 (8016.04)
80165 (8016.05)
8017
8018
8019
8020
8021
8022
8023
8024
8025
80261 (8026.01)
80262 (8026.02)

DEFINITIONS

"Form A" includes all conventional mortgages outstanding on residences for 1-4 families

"Form B" includes all outstanding mortgages which are insured by the Federal Housing Administration or guaranteed under the Veteran Administration excluding Federally insured home improvement loans (See "Form D")

"Form C" includes all conventional mortgages outstanding on all other buildings designed principally as residences

"Form E" includes all other outstanding mortgages

FORM (A, B, C or E) OUTSTANDING MORTGAGES As of June 30, 1980

Geographic Area (Census Tract or Zip Code Totals)	number of mortgage loans outstanding	average interest rate	amount of mortgage dollars outstanding
S-C-H SMSA (Zip Code Total)			
All Other Massachusetts (88888)			
Out of State (99999)			
Unidentified Zip Code (77777)			
Grand Total (All S-C-H SMSA Zip Codes plus All Other Massachusetts, Out of State, and Unidentified Zip Code)			
MEMORANDA			
Cities of Springfield, Chicopee, & Holyoke - Zip Code Total			
Cities of Springfield, Chicopee, & Holyoke - Census Tract Total			
Unidentified Census Tract Total			

Note: Information for individual census tract or zip codes should not be submitted in non-computerized form to the Office of the Commissioner of Banks. Only the

DEFINITION

"Form D" includes all outstanding loans granted for the purpose of making home imporvements, whether collateralized by real property or taken out as a personal, installment loan; includes FHA Title I home improvement loans.

FORM D — OUTSTANDING HOME IMPROVEMENT LOANS — As of June 30, 1980

Geographic Area (Census Tract or Zip Code Totals)	number of loans outstanding	dollar amount of outstanding loans
SPFLD. SMSA (Zip Code Total, includes Boston & Lynn)		
All Other Massachusetts (88888)		
Out of State (99999)		
Unidentified Zip Code (77777)		
Grand Total (All SPFLD. SMSA Zip Codes plus All Other Massachusetts, Out of State, & Unidentified Zip Code)		
MEMORANDA		
S - H - C - Zip Code Total		
S - H - C - Census Tract Total		
Unidentified Census Tract Total		

Note: Information for individual census tracts or zip codes should not be submitted in non-computerized form to the Office of the Commissioner of Banks. Only the above specified totals should be sent to this office in hard copy.

DEFINITIONS

"Form G" includes all conventional mortgages made from July 1, 1979 to June 30, 1980 on residences designed for 1-4 families

"Form H" includes all mortgages made from July 1, 1979 to June 30, 1980 which are insured by the Federal Housing Administration or the Veterans Administration excluding Federally insured home improvement loans (See "Form J")

"Form I" includes all conventional mortgages made from July 1, 1979 to June 30, 1980 on all other buildings designed principally as residences

"Form K" includes all other mortgage loans made from July 1, 1979 to June 30, 1980

FORM (G, K, I or K) MORTGAGE ACTIVITY From July 1, 1979 To June 30, 1980

Geographic Area (Census Tract or Zip Code Totals)	number of mortgage loans granted	average int. rate	mortgage dollars granted	avg. loan to value ratio	number of applications	dollar amt. of mortgage applications	numb of fore clos
S-C-H SMSA (Zip Code Total)							
All Other Massachusetts (88888)							
Out of State (99999)							
Unidentified Zip Code (77777)							
Grand Total (All S-C-H SMSA Zip Codes plus All Other Massachusetts, Out of State, & Unidentified Zip Code)							
MEMORANDA							
Cities of Springfield, Chicopee, & Holyoke - Zip Code Totals							
Cities of Springfield, Chicopee, & Holyoke - Census Tract Totals							
Unidentified Census Tract Total							

Note: Information for individual census tracts or zip codes should not be submitted in non-computerized form to the Office of the Commissioner of Banks. Any the

DEFINITION

"Form J" includes all loans made from July 1, 1979 to June 30, 1980 for the purpose of making home improvements, whether collateralized by real property or taken out as a personal, installment loan; includes FHA Title I home improvement loans.

FORM J — MORTGAGE ACTIVITY, HOME IMPROVEMENT LOANS — From July 1, 1979 To June 30, 1980

Geographic Area (Census Tract or Zip Code Totals)	number of loans granted	amount granted	number of applications	dollar amount applied for
S-C-H SMSA (Zip Code Total)				
All Other Massachusetts (88888)				
Out of State (99999)				
Unidentified Zip Code (77777)				
Grand Total (All S-C-H SMSA Zip Codes plus All Other Massachusetts, Out of State, & Unidentified Zip Code)				
MEMORANDA				
Cities of Springfield, Chicopee, & Holyoke - Zip Code Totals				
Cities of Springfield, Chicopee, & Holyoke - Census Tract Totals				
Unidentified Census Tract Total				

Note: Information for individual census tracts or zip codes should not be submitted in non-computerized form to the Office of the Commissioner of Banks. Only the above

DEFINITIONS

"FORM Y" includes aggregate totals for your Bank of certain mortgage amounts requested in hard copy form only. Please refer to Mortgage Instructions, Part III, for full instructions.

FORM Y	AGGREGATED SPECIAL MORTGAGES	As of June 30, 1980
Construction loans: total amount outstanding		
Loan secured by farmland: total amount outstanding		
Participations (note seperate lines for Thrifts and Commercials)		
Thrifts only		
All Participation loans: Bank's share only		
Commercials only		
Participations in individual loans: Bank's share only		
Participations SOLD with an agreement to REPURCHASE: Both share sold and share retained by Bank		
"Pass Through" participations: Bank's share only		
Pools of loans with terms of instrument different form terms of underlying loans: SELLERS ONLY of such participations report entire amount of pool(s) (both share retained and share sold by Bank)		
TOTAL ALL amounts of mortgage dollars outstanding from		
FORM A		
FORM B		
FORM C		
FORM D		
FORM E		

GRAND TOTAL [illegible]

D E P O S I T S

How data is reported:

1. Data will be reported broken out by geocode on magnetic computer tape.

2. Data reported by geocode on magnetic computer tape will also be reported on hard copy forms as totals for your bank (Form 1).

3. Certain data for reconciliation purposes will be reported only in hard copy form (Form X).

Where deposit data is recorded:

Deposit information for your bank will be recorded under the layout of Form 1. Each geocode in which there is deposit activity will be represented by one and only one Form 1 record. All of the different types of deposits for each geocode (Savings, Time, NOW, Demand) must appear on one unique record for that geocode.

I. What is reported broken out by geocode

Any of the following types of deposits, whether held by individuals; partnerships; or non-bank, non-government corporations, must be reported. Depending on your bank, some of these deposit types will be relevant and others not.

-Regular Savings -Share Accounts -Special Notice
-Term Deposits -Keogh -NOW
-Demand Deposits -IRA -Time Deposits
-Certificates of Deposit up to and including $100,000 in value
-Money Market Certificates up to and including $100,000 in value
-Term Certificates up to and including $100,000 in value

Note on Geocodes

Data submitted on computer tape will be geocoded by zip code. For the cities of Springfield, Chicopee, and Holyoke, information must be coded by census tract as well as by zip code. There are also four special geocodes:

code	
66666	Cities of Springfield, Chicopee, and Holyoke data not assignable to a census tract
77777	Data not assignable to a zip code
88888	Data outside the S-C-H SMSA but inside Massachusetts ("other Massachusetts")
99999	Data outside the state ("out of state")

Approved by Alfred C. Holland, State Purchasing Agent
11899-50-9-5-80- CR - Publication #

Data within the Springfield-Chicopee-Holyoke Standard Metropolitan Statistical Area (SMSA) is the only data that must be assigned a geocode on a deposit-by-deposit or mortgage-by-mortgage basis. This data is then classified by FORM (Form 1 for deposits and Forms A-E, G-K for mortgages), aggregated into one total on each applicable FORM for each geocode in which there is activity, and reported on computer tape.

Note that the four special geocodes above are aggregate totals for your bank. Assignable data with geocodes outside the S-C-H SMSA must be totalled for each appropriate FORM into one 88888 record (for other Massachusetts) and/or one 99999 record (for out of state). Data known to pertain to the cities of Springfield, Chicopee, and Holyoke, but which is unassignable to a particular census tract is totalled for each applicable FORM into one 66666 record (for unidentified census tracts). All other unassignable data should be totalled for each applicable FORM into one 77777 record (for unidentified zip codes). Just as with regular geocodes, there is a maximum of eleven different records (FORMS 1, A-E, G-K) for each special geocode.

The following table summarizes geocoding requirements:

Area	Geocode Type	Use applicable FORM (1, A-E, G-K) for
Cities of Springfield, Chicopee, & Holyoke	Zip and census tract	...each zip code and census tract with activity
Unassignable to a census tract	Special Geocode	...one instance of 66666 per FORM
S-C-H SMSA (except cities of Springfield, Chicopee, & Holyoke)	Zip code only	...each zip code with activity
All other Mass. (outside S-C-H SMSA)	Special Geocode	...one instance of 88888 per FORM
Out of State	Special Geocode	...one instance of 99999 per FORM
Unassignable to a zip code	Special Geocode	...one instance of 77777 per FORM

Page 5 is a list of zip codes for all communities in the S-C-H SMSA outside the cities of Springfield, Holyoke, and Chicopee. Page 6 is a list of zip codes for the cities of Springfield, Chicopee, and Holyoke. Page 7 is a list of census tracts of the cities of Springfield, Chicopee, and Holyoke.

In many cases, banks or their service bureaus will have geocoding done by an outside commercial processor. For those banks that must geocode manually, more detailed information on census tracts can be obtained from two sources:

1) Regional Census Bureau Office
   441 Stuart Street
   Boston, MA.

2) Springfield City Planning Department
   Springfield City Hall
   Springfield, MA.

II. Geocode data also reported as hard copy totals

The data reported by geocode on computer tape must be totalled into various categories and recorded on the hard copy form provided (FORM 1).

III. What is reported only in aggregate form for reconciliation purposes

The following types of accounts, if they apply in your bank's case, must be reported as one total for your bank on the hard copy sheet (FORM X) provided. This will permit us to reconcile totals reported to us under II and III of this sheet to various call reports and reports of condition. Below is a list of these account types further divided by the type of bank which usually holds them.

Commercial Banks:

Money Market Certificates over $100,000 in value
Certificates of Deposit over $100,000 in value
Deposits of the United States Government
Deposits of States and their Political Subdivisions
Deposits of Foreign Governments and Institutions
Deposits of Other Banks (U.S., U.S. Foreign Branches, and Foreign)
Certified and Officer's Checks, and Letters of Credit sold for cash
Club Accounts

Savings and Cooperative Banks:

Money Market Certificates over $100,000 in value
Certificates of Deposit over $100,000 in value
Club Accounts
Accrued interest and dividends (unpaid)
Accrued taxes (unpaid) (includes real estate tax escrow)
Mortgagor's payments received but not yet credited

Credit Unions:

Accrued dividentds (unpaid)
Accrued taxes (unpaid) (includes real estate tax escrow)
Club Accounts
Term Certificates over $100,000 in value

This list of account types is divided among bank types to demonstrate that only some of these accounts will typically be relevant to your bank.. The hard copy sheet for reporting these items (FORM X) will simply list all the possible account types. Your bank should report as one total only those types of accounts which apply to it.

ZIP CODES, cities and towns in SMSA
EXCEPT Chicopee, Holyoke, Springfield

The zip codes listed below are for areas in the Springfield-Chicopee-Holyoke SMSA that should only be submitted geocoded by zip code.

01001	Agawam
01007	Belchertown
01009	Bondsville
01027	Easthampton
01028	East Longmeadow
01030	Feeding Hills
01033	Granby
01035	Hadley
01036	Hampden
01038	Hatfield
01053	Leeds
01056	Ludlow
01057	Monson
01060	Northampton (city)
01069	Palmer
01073	Southhampton
01075	South Hadley
01077	Southwick
01079	Thorndike
01080	Three Rivers
01083	Warren
01085	Westfield (city)
01089	West Springfield
01095	Wilbraham
01106	Longmeadow

ZIP CODES, cities and towns in CHICOPEE, HOLYOKE, SPRINGFIELD

The zip codes listed below are for areas in the Springfield-Chicopee-Holyoke SMSA that must also submit information geocoded by census tract.

Chicopee:

01013 Chicopee Center, Willimansett
01020 Aldenville, Chicopee Falls, Fairview
01022 Westover Field

Holyoke:

01040

Springfield:

01101
01103
01104
01105
01107
01108
01109
01118
01119
01128
01129
01151

CENSUS TRACTS, cities and towns in CHICOPEE, HOLYOKE, SPRINGFIELD

The census tracts listed below are for areas in the Springfield-Chicopee-Holyoke SMSA that must submit information geocoded by census tract as well as by zip code. PLEASE NOTE that some of the census tracts listed are six digit numbers. The 6-digit codes have to be contracted to fit the 5-digit zip code/census tract field on the magnetic tape. These 6-digit codes are indicated below in parentheses, to the right of the 5-digit code that should be used instead. For example, tract 8002.01 should be recorded as 80021, tract 8016.04 as 80164, and so forth.

Chicopee:

8105
8106
8107
8108
8109
8110
8111
8112
8113

Holyoke:

8114
8115
8116
8117
8118
8119
8120
8121

Springfield:

8001
80021 (8002.01)
80022 (8002.02)
8003
8004
8005
8006
8007
8008
8009
8010
80111 (8011.01)
80112 (8011.02)
8012
8013
80141 (8014.01)
80142 (8014.02)
80151 (8015.01)
80152 (8015.02)
80153 (8015.03)
80161 (8016.01)
80162 (8016.02)
80163 (8016.03)
80164 (8016.04)
80165 (8016.05)
8017
8018
8019
8020
8021
8022
8023
8024
8025
80261 (8026.01)
80262 (8026.02)

DEFINITION

"Form 1" includes deposit information broken down by types of accounts: (a) savings; (b) time, or notice accounts; (c) N.O.W.; and (d) demand. Club accounts are to be excluded altogether as they are not a source of mortgage funds. This report is confidential and shall not be exhibited to any person, organization or agency except as provided in General Laws, Chapter 167.

FORM 1 DEPOSIT DISTRIBUTION INFORMATION As of June 30, 1980

Geographic Area (Census Tract or Zip Code Totals)	number of savings accounts	dollar amount of savings accounts	number of time accounts	dollar amount of time accounts	number of NOW accounts	dollar amount of NOW accounts	number of demand accounts	dollar amount of demand
S-C-H SMSA (Zip Code Total)								
All Other Massachusetts (88888)								
Out of State (99999)								
Unidentified Zip Code (77777)								
Grand Total (All S-C-H SMSA Zip Codes plus All Other Massachusetts, Out of State, & Unidentified Zip Code)								
MEMORANDA								
Cities of Springfield, Chicopee, & Holyoke Zip Code Total								
Cities of Springfield, Chicopee, & Holyoke Census Tract Total								
Unidentified Census Tract Total								

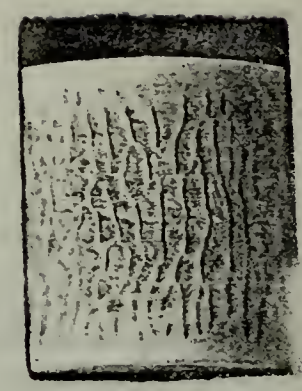
Note: Information for individual census tracts or zip codes should not be submitted in non-computerized form to the Office of the Commissioner of Banks. Only the above

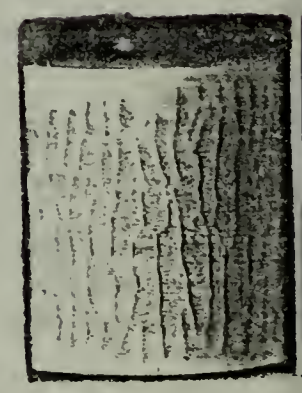
DEFINITION

"Form X" includes aggregate totals for you Bank of certain deposit amounts requested in hard copy form only. Please refer to Deposit instructions, Part III, for full details.

FORM X AGGREGATED SPECIAL DEPOSITS As of June 30, 1980

Money Market Certificates over $100,000 in value	
Certificates of Deposit over $100,000 in value	
Term Certificates over $100,000 in value	
Deposits of the United States Government	
Deposits of States and their Political Subdivisions	
Deposits of Foreign Governments and Institutions	
Deposits of Other Banks (U.S., U.S. Branches, and Foreign)	
Certified and Officer's Checks, and Letters of Credit sold for cash	
Club Accounts	
Accrued interest and dividends (unpaid)	
Accrued taxes (unpaid) (includes real estate tax escrow)	
Mortgagor's payments received but not yet credited	
Accounts less than two weeks old without Posted Address	
TOTAL ALL DEPOSITS as reported on FORM 1	
) TOTAL	





MASS. AF24.8: A65/18-2C/rev.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

GOVERNMENT DOCUMENTS COLLECTION
MAR 21 1990
University of Massachusetts Depository Copy

Ref. No. 18-2C (Revised)

Issued: March 12, 1990
Effective: January 1, 1990

All Banks and Credit Unions
G. L. c. 167, §6
G. L. c. 167, §7
G. L. c. 167, §8

Home Mortgage Data Reporting and Disclosure

AUTHORITY

This directive is issued pursuant to the Division of Bank's authority to prescribe the manner and form in which state-chartered banks keep records under section 6 of chapter 167 of the General Laws and to mandate the filing of statements and reports by such institutions with the Division under section 7 of chapter 167 of the General Laws.

APPLICABILITY AND PURPOSE

This Administrative Bulletin supersedes Administrative Bulletin 18-2C. It shall govern the manner in which state-chartered banks gather, maintain and report information under the provisions of the federal Home Mortgage Disclosure Act. (12 U.S.C. section 280 et seq., as amended), as of January 1, 1990. The purpose of this bulletin is to ensure that current home mortgage data collection and disclosure requirements under state law conform to federal requirements under the Home Mortgage Disclosure Act and its implementing regulations found at 12 CFR Part 203. State requirements are expanded to cover applications as well as loans granted and purchased; to require reporting of information on the race or national origin, sex, and income of applicants and borrowers; and to call for a register form of reporting.

The requirements of this bulletin shall only apply to banks having main offices or branch offices in the Boston, Brockton, Fall River, Lawrence-Haverhill, Lowell and Salem-Gloucester primary metropolitan statistical areas (PMSA) and the Fitchburg-Leominster, New Bedford, Pittsfield, Springfield, Worcester, and Pawtucket-Woonsocket-Attleboro metropolitan statistical areas (MSA), and having assets in excess of $10 million.

DEFINITIONS

The following definitions shall apply unless the context requires otherwise:

"Bank" means a savings bank organized under General Laws chapter 168 or General Laws chapter 167H; a co-operative bank organized under General Laws chapter 170 or General Laws chapter 167H; a credit union organized under General Laws chapter 171; and, a trust company organized under General Laws chapter 172. The term shall also include a wholly-owned or majority-owned mortgage banking subsidiary of any such institution that is established under clause 7 of General Laws chapter 167F, section 2. For the purposes of this bulletin the term "bank" is limited to those institutions having main offices or branch offices in the Boston, Brockton, Fall River, Lawrence-Haverhill, Lowell and Salem-Gloucester primary metropolitan statistical areas (PMSA) and the Fitchburg-Leominster, New Bedford, Pittsfield, Springfield, Worcester, and Pawtucket-Woonsocket-Attleboro metropolitan statistical areas (MSA), and having assets in excess of $10 million.

"Division" means Division of Banks.

REQUIREMENTS

A. Data Collection Requirements

1. Any bank subject to the provisions of this bulletin and the Home Mortgage Disclosure Act (12 U.S.C. section 2801 et seq.) shall collect, maintain and annually report the information required under clause (a) of this section with the Division. Said reports shall be filed on such forms and at such times as determined by the Division.

   (a) All loan, race or national origin, gender and income data required to be compiled under 12 CFR section 203.4 of Regulation C, Home Mortgage Disclosure.

2. The reports required under paragraph 1 of this section shall conform to the register format requirements of Appendices A and B of 12 CFR Part 203.

B. Disclosure and Reporting Requirements

1. Reporting Requirements

A bank shall send two complete copies of the reports prepared under paragraph 2 of section A to the Division by March 1 following the calendar year for which the loan data are compiled. Each bank shall retain a copy of such reports for its records for a period of not less than two years.

2. Public Disclosure Requirements
A bank shall make its mortgage loan disclosure statement, which is prepared by the Federal Financial Institutions Examination Council under 12 CFR section 203.5(b), available to the public no later than 30 days after it is received by the bank. The bank shall make the statement available to the public for inspection and/or photocopying at a reasonable fee for a period of five years. A bank shall make the disclosure statement available at its main office. If it has a physical branch in any other MSA, it shall also make a statement available in at least one branch office in each MSA; the statement at a branch office need only contain data relating to property in the MSA where that branch office is located.

3. Notices
A bank shall post a notice in its main office and in each of its branch offices stating the existence and availability of its mortgage loan statement and the location where such statement may be inspected by the public.

ENFORCEMENT

A violation of this directive is subject to the administrative sanctions as set forth in section 7 and section 8 of chapter 167 of the Massachusetts General Laws. An error in compiling or recording loan data is not a violation of this directive if it was unintentional and occurred despite maintenance of procedures reasonably adopted to avoid such errors.

EFFECTIVE DATE

This Administrative Bulletin shall be effective retroactively as of January 1, 1990, and shall apply to all loan applications taken after said date.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 18-3 Reserve Requirements

To The Executive Officer Of The Institution Addressed:

The Monetary Control Act ("Act"), enacted on March 31, 1980, is designed to improve the effectiveness of national monetary policy by applying new reserve requirements set by the Federal Reserve System. Uniform reserves requirements are imposed on all depository institutions that have transaction accounts or nonpersonal time deposits.

The Act requires all depository institutions to file reports which the Federal Reserve System determines to be necessary or desirable for the control or monitoring of monetary and credit aggregates. All reports are to be made directly to the Federal Reserve System. All nonmember institutions with deposits in excess of five million dollars will report deposits as of October 30, 1980 and will commence maintaining reserves on November 13, 1980.

The reserve requirement on the first twenty-five million of transaction accounts is three percent. A reserve requirement of twelve percent is required on that portion of total transaction accounts above twenty-five million. Transferable nonpersonal time deposits (including savings deposits) with maturities of less than four years will have required reserves of three percent. Nontransferable personal time deposits will not be subject to reserve requirement, and time deposits with maturities of four years or more are subject to a zero percent reserve.

Massachusetts banking statutes require that state-chartered, nonmember commercial banks maintain reserves as prescribed by Chapter 172, Section 27. Paragraph C of this section provides the Commissioner of Banks with discretionary authority to either increase or decrease reserves based on prevailing banking conditions.

This action by the Federal Reserve, in conjunction with the present operation of required state reserves, would require the maintenance and reporting of two separate sets of reserves. In light of federally-mandated reserves, the interest of the Commonwealth in requiring its own reserves is outweighed by the regulatory and financial burden upon the industry. Therefore, effective November 13, 1980 and as authorized by Paragraph C of General Laws Chapter 172, Section 27, I have determined that the reserve percentage required by Paragraph A be set at zero until further notice. Likewise, the filing requirements of Chapter 172, Section 27 are suspended until further notice.

Very truly yours,

Gerald T. Mulligan

Gerald T. Mulligan

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 18-4 Consumers Cost of Credit All Banks and Credit Unions

Pursuant to Chapter 167, Section 7 of the Massachusetts General Laws, blank forms have been furnished to you for the purpose of filing a regular monthly report. Commencing in November, 1977 and continuing every month thereafter, the completed report shall be returned to this Department no later than the tenth of the month. The report will reflect the prevailing interest rates in your institution as of the first business day of each month for the following loan categories:

1). New automobile, $5,000, 20% down, 48 months duration.

2). Personal, $2,000, unsecured, 24 months duration.

In addition, the following information will be required for the initial report, and, thereafter, once each succeeding November:

The number and dollar volume of new automobile loans and unsecured personal loans outstanding.

Please forward completed reports to Paul Horwitz of this Department.

This information will be released to the newspapers in your area on the fifteenth of each month.

Date: 11/1/78

This restates directive dated 10/21/77
and addenda 1/26/78

18-4.1

The Commonwealth of Massachusetts

Office of the Commissioner of Banks

CONSUMER CREDIT RATE REPORTING DIRECTIVE

SCHEDULE ONE - MONTHLY REPORT

Institution Name: _____

Address: _____

Person to contact concerning this report:

Name/Title: _____

Telephone Number: _____

Date: _____

(this report is to be filed no later than the tenth day of each month)

PREVAILING ANNUAL PERCENTAGE RATE
AS OF THE FIRST BUSINESS DAY OF EACH MONTH

I. LOAN CATEGORY	II. ANNUAL PERCENTAGE RATE	III. FREE CREDIT LIFE INSURANCE?
NEW AUTOMOBILE, $5,000, 20% down, 48 month maturity.		
PERSONAL, $2,000, unsecured, 24 month maturity.		
CONVENTIONAL HOME MORTGAGE, 20% down, 25 year maturity.		

18-4.2

The Commonwealth of Massachusetts

Office of the Commissioner of Banks

CONSUMER CREDIT RATE REPORTING DIRECTIVE

SCHEDULE TWO - ANNUAL REPORT

Institution Name: _____

Prepared By: _____
name title date

(this report is to be filed no later than the tenth day of each NOVEMBER)

LOANS OUTSTANDING AS OF THE FIRST BUSINESS DAY OF NOVEMBER		
I. LOAN CATEGORY	II. TOTAL NUMBER	III. TOTAL DOLLAR VOLUME
NEW AUTOMOBILE		
UNSECURED PERSONAL		
CONVENTIONAL HOME MORTGAGE		

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 18-6 Trustees and Officers Savings Banks

Effective February 16, 1956 the Clerk of the Corporation shall notify the division of the present trustees and operating officers on the forms attached. Thereafter pertinent information on new trustees and operating officers shall be submitted as well as information on those who should be removed from the current lists.

A copy of the same information shall be kept at the bank for the examiners' use.

Date: 11/19

This is a restatement of instructions 2/16/56

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Name of Bank _____ Date _____

OFFICER

1. Name
2. Address
3. Date of Birth
4. Position to which elected.
5. Date elected
6. Annual salary.
7. Other banking connections.

8. Submit a resume of banking and other business experience covering the last 10 years.

Name of Bank _____ Date _____

TRUSTEE

1. Name

2. Address

3. Date of birth.

4. Date elected

5. Other banking connections

6. Submit a resume of banking and other business experience covering the last 10 years.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 18-7 Credit Union Employees' Retirement Association
Credit Union National Association Retirement Savins Fund.

The captioned plans are the only plans permitted for state chartered credit unions.

Date: 1/1/75

Restatement of letter 12/16/74

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 18-8 Repurchase Agreements Credit Unions

To the Credit Union Addressed:

In reply to your request for approval of the Commissioner of Banks to offer Repurchase Agreements (also known as Reverse Repurchase Agreements) to your membership, please be advised that such a transaction is considered to be a borrowing of funds by the credit union from its membership and/or other sources, and as such falls within the purview of General Laws, Chapter 171, Section 16.

To analyze your request you must submit the following information to this Office:

a. An attested copy of the Board of Director's vote requesting such approval.

b. Such vote must contain the maximum amount intended to be borrowed and the length of time such program will be in effect.

c. The reason or necessity for the credit union to borrow these funds in the stated amount.

d. Copies of your last statement of condition and last two (2) profit and loss closings.

e. A sample copy of the Repurchase Agreement Certificate which the participating member will receive; which shall state in bold letters that it is NOT AN INSURED SHARE OR DEPOSIT ACCOUNT.

If after receipt and analyses of the above information your request is approved, you will receive a communication containing such approval and the conditions imposed by this Department.

Very truly yours,

Deputy Commissioner
Bank Supervision

To the Credit Union Addressed:

Approval as required by General Laws, Chapter 171, Section 16, to enable the _____ Credit Union to offer Repurchase Agreements entitled _____ to its members, as outlined in the application and sample certificate submitted to this Office is granted.

This approval is predicated on the following conditions:

a. Approval is granted for a one-year period commencing _____.

b. Certificates issued shall not in the aggregate exceed _____ dollars.

c. The amount of dollars received will be recorded on the general ledger and statement of condition as a liability described as "Notes Payable" or "Borrowed Funds".

d. The securities allowed to be sold are restricted to U.S. Government direct obligations and U.S. Government Agencies.

e. The securities sold will no longer be available for use in calculating the liquidity reserves imposed under the provisions of General Laws, Chapter 171, Section 21, Paragraph 3, and under the conditions prescribed by the Commissioner of Banks relative to General Laws, Chapter 167, Section 16A.

f. Certificates issued must be in the minimum amount of $5,000.

g. Interest paid on certificates must be treated and reported as Interest on Borrowed Funds.

h. Redemption prior to maturity is not allowed.

i. As required by the provisions of General Laws, Chapter 171, Section 16, these loans must also be reported to Massachusetts Credit Union Share Insurance Corporation if the credit union is a member thereof.

j. The securities used as collateral for the repurchase agreement transactions will be identified in a footnote or memorandum entry on the credit union's statement of condition for each month the repurchase agreement is outstanding. The footnote will reflect both the book value and the market price on the statement date.

k. This Office will be notified immediately in writing of the cessation of the program.

l. This approval may be terminated at any time by written notice by the Commissioner of Banks

Very truly yours,

Deputy Commissioner
Bank Supervision

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 19-1 Safekeeping-Passbooks A

General Laws Chapter 167, Section 6A, effective May 2, 1960 provides as follows:

Section 6A. "A bank may, with the written permission of, and under conditions prescribed by, the commissioner, receive and hold for its depositors for safekeeping any securities issued or guaranteed by the United States or any instrumentality thereof. Such corporation may also, with such authority, hold for safekeeping the passbooks of its depositors."

Pursuant to the authority contained in this section with respect to the holding of passbooks of your depositors for safekeeping, I hereby grant permission for your bank, if it so desires and when so requested, to hold in safekeeping passbooks which are the property of members of the armed forces of the United States.

I also grant permission to your bank to hold those passbooks which are now in the possession of the bank where the addresses of the respective owners are unknown. It is expected that efforts will be made at once to obtain the presently unknown addresses and that the books will be returned to their respective owners.

Any other passbooks now held for safekeeping by your bank which do not fall into the categories described above should be returned to their respective owners within a reasonable time and not beyond six months from the date of this letter. In the future, only those passbooks which are the property of members of the armed forces should be accepted for safekeeping.

At the expiration of the six-month period referred to above, it is expected that you will notify this Department, attention of the Director of Examinations of your particular type of bank, which notification should enumerate in detail each such book then held for safekeeping and the reasons for continued holding.

I realize that extenuating circumstances may exist, in a limited number of instances, which would require the temporary holding of such passbooks, and evidence of such will receive my consideration at the time of receipt of the aforementioned details.

This directive does not apply to passbooks held as collateral on loans, or to passbooks held by the bank as additional collateral on loans of any type.

It is a definite requirement of this Department that all passbooks held for safekeeping must be kept under effective dual control at all times.

It is requested that the employees of your organization who have the authority to accept passbooks for safekeeping should be acquainted with the contents and purpose of this letter.

Date: 7/1/79

Restatement of letter 8/25/60

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 19-2 . Salaries of Officers - Co-operative Banks

Effective July 30, 1976 I require every bank to print the salaries of each officer receiving $40,000 or more (including salary and bonus, if any) on the ballot at the annual meeting.

Within thirty days of the meeting the clerk of the corporation should certify to this office that the procedure was followed.

Date: 7/1/79

Restatement of directive 7/30/76

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The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 19-3

SALARIES OF OFFICERS - Savings Banks

Effective July 30, 1976 I will require a list of the total compensation (including salary and bonus, if any) of all officers who received $40,000 or more during the fiscal year to be distributed, in writing, to all corporators attending the annual meeting next following the close of the fiscal year.

Within thirty days after the date of such annual meeting, the Clerk of the Corporation shall certify to the Commissioner that the distribution has been made.

Date: 7/1/79

This restates the directive of 7/30/76.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 19-4B Safe Deposit Vaults Savings, Co-operative and C.U.

1. The petition for permission to engage in the business of renting safe deposit boxes must be authorized by the Board of Trustees or Directors, and an attested copy of their vote accompany the request.

2. Where insurance coverage on the contents of the box is provided by the bank, the bank shall state in all contracts, and also on all billings that limited insurance coverage is provided, and shall further disclose in substance that questions with respect to such coverage may be addressed to appropriate bank personnel. All such contracts and subsequent billings shall also include a statement which advises a customer who may wish to insure the contents of his/her box in full that any necessary additional insurance coverage may be obtained from any insurer whom the customer may choose.

   The following must appear as part of or attached to any rental agreement signed on or after September 15, 1981, and must be made part of any rental bill after that date.

   In boldface type of a minimum size of 10 points:

   > THE BANK PROVIDES LIMITED INSURANCE COVERAGE ON THE CONTENTS OF YOUR SAFE DEPOSIT BOX. YOU MAY INQUIRE OF BANK PERSONNEL RELATIVE TO THE SPECIFIC TERMS OF THIS COVERAGE. YOU MAY WISH TO OBTAIN MORE COMPLETE INSURANCE COVERAGE FROM AN INSURER OF YOUR CHOICE.

   Provided that; notwithstanding the provisions of the preceding paragraph, a bank may continue to use any present stock of forms which it reasonably believes to be in compliance with the provisions of Administrative Bulletin No. 19-4A (#2) effective January 1, 1981, until such forms are exhausted or December 31, 1981, whichever is earlier.

3. Adequate protection, including approved vault alarm, must be provided at all times. Only boxes of standard construction to be installed.

4. Vault space must be separated by grille work to exclude box renters from that part used by the bank for the storage of money, securities, collateral, etc.

5. Entrance to vault must be so arranged that box renters may not have access to the working space or tellers' cages.

6. Booths or rooms used by box renters should be inspected immediately after the customer has withdrawn, and so located that only box renters and employees have access.

7. Rentals should be confined to persons known or properly recommended. A proper system of identification must be maintained and proper records kept showing the name of the person, time of entrance and time of departure of those obtaining access to boxes.

8. The operation of the safe deposit vault department should be delegated to one or more employees who shall be responsible for its proper conduct.

9. Employees should not handle keys of box renters and a properly safeguarded system for handling keys of unrented boxes must be installed.

10. The vaults may be open to box renters only during the regular banking hours as specified in the vote. If the bank is open in the evening, permission will be conditioned upon the maintenance of proper safeguards.

11. A complete accounting system must be maintained.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 19-5 Social Security Checks All Banks and Credit Unions

Some elderly people in Massachusetts have considerable difficulty in cashing their Social Security or SSI checks. Banks are often reluctant to cash these checks for people who do not have an account at the bank.

We have discussed this problem with James Callahan, Secretary of Elderly Affairs, and with Walter Cross, of the Massachusetts Association of Older Americans, and with heads of the different bank trade association. One solution to the problem appeared to be to have the local branch manager issue a signature card which had been signed in invisible ink to the elderly person, without an account who needed to cash the Social Security or SSI check. It would be made clear by the branch manager to the person to whom the card was issued that the card could be used by that elderly individual only at that particular bank branch. Any restrictions as to days or hours so as to avoid heavy lobby traffic would also be made clear at that time.

This signature card would seem to reduce fears of fraudulent cashing of checks because it could not be used by a young person to cash an older person's check. It would also be less costly than picture I.D. cards, although the latter have the same anti-fraud feature as long as their authorized use is limited to the person whose picture appears on the card.

We strongly urge banks which are not now cashing Social Security or SSI checks to adopt these procedures so that they can perform this public service without undue risk.

Date: 5/6/75

Restatement of 9/19/78

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 20-2 Tax Escrow Accounts A

Chapter 183, Section 61 requires that certain mortgagees file an annual report relative to the net profit or loss from the investment of tax escrow funds.

The enclosed form covering July 1, 1978 to and including June 30, 1979, should be completed and returned to this office by August 8, 1979.

Date: June 19, 1979

This replaces directive dated 5/22/78

Enc.

MASS. AF24.8: A65

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No: 20-2C

GOVERNMENT DOCUMENTS COLLECTION
SEP 20 1984
University of Massachuse
Depository Copy

To the Executive Officer of the Institution Addressed:

RE: Property Tax Escrow Report, 1983

As you are aware, Chapter 183, Section 61 of the General Law requires the mandatory payment of interest on certain property tax escrow accounts. In addition, mortgagees required to pay such interest are required to file annually with the Commissioner of Banks a statement showing the interest rate paid and the amount of new profit or loss from the investment or use of these tax escrow funds.

To insure uniformity, enclosed is a form to be completed for the period July 1, 1983 to and including June 30, 1984. Only this form should be submitted to this Office (at 100 Cambridge Street, Boston, Massachusetts 02202) by August 10, 1984. If you have already submitted information, it is requested that you resubmit it on this form.

Request for exemption from the payment of interest should be submitted in a letter and the enclosed form, completed, must accompany such an exemption request letter. Regardless of any previous exemption status, mortgagees (or their servicers) seeking an exemption for the coming year must submit a new exemption request at this time.

If you have any questions, please contact Stanley Zoll of the Research Department 727-3136.

Date: June 22, 1984

This letter replaces June 20, 1983

Property Tax Escrow Report
on Mortgages for 1-4 Family Dwellings
For the period July 1, 1983 to June 30, 1984

Institution:_____ Name of Person who prepared
Address: _____ report:_____
_____ Telephone number:_____

1. During the period 7-1-83 to 6-30-84 did you have outstanding any mortgages on 1-4 family dwellings: Yes____ No____

2. If answer to above was yes, did you collect property tax escrow payments on any of these mortgages on 1-4 family dwellings occupied in whole or in part by the mortgagor? Yes____ No____

IF YOU ANSWERED "NO" TO QUESTION 1 AND/OR QUESTION 2 STOP HERE AND RETURN FORM TO THE COMMISSIONER OF BANKS. IF ANSWERED "YES" TO THESE QUESTIONS, CONTINUE COMPLETING THE QUESTIONNAIRE.

3. Total number of mortgagees with tax escrow payments serviced during the period____

4. Interest rate paid on property escrow accounts* ____%

(If you answer 0% to Question 4, omit Questions 4A and 4B, and proceed to Question 5 only)

A. Basis for computation (check one): Simple____ Compound____
   1. If simple: basis year in days ____
   2. If compound:

      a. Compound period (check one):

         (1) daily____(2)____(3) quarterly____(4) semi-annually____

      b. Effective rate _____

B. Method of payment of interest (check one):

   (1) check____ (2) deduction from outstanding loan principal____
   (3) added to escrow balance____ (4)other (specify)_____

5. Provide a statement showing the amount of net profit or loss from the investment or other use of the property tax escrows. Include an indication of gross profit frm tax escrow investment or use, related operating expenses, and interest paid on tax escrow. Mortgage banking firms must also account for indirect benefits from the use of tax escrows, including those associated with maintenance of compensating balances at credit line banks

* To insure clarity, if the interest rate paid was less than 1% it should be recorded as follows: 1/2 of 1% or 3/4 of 1%, etc.

MASS AF24.8:A65/20-D

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

GOVERNMENT DOCUMENTS
COLLECTION
AUG 9 1983
University of Massachusetts
Depository Copy

Reference No. 20-D

To the Executive Officer of the Institution Addressed:

Re: Property Tax Escrow Report, 1983

As you are aware, Chapter 183, Section 61 of the General Law requires the mandatory payment of interest on certain property tax escrow accounts. In addition, mortgagees required to pay such interest are required to file annually with the Commissioner of Banks a statement showing the interest rate paid and the amount of new profit or loss from the investment or use of these tax escrow funds.

To insure uniformity, enclosed is a form to be completed for the period July 1, 1982 to and including June 30, 1983. Only this form should be submitted to this Office (at 100 Cambridge Street, Boston, Massachusetts 02202) by August 5, 1982. If you have already submitted information, it is requested that you resubmit it on this form.

Requests for exemption from the payment of interest should be submitted in a letter and the enclosed form, completed, must accompany such an exemption request letter. Regardless of any previous exemption status, mortgagees (or their servicers) seeking an exemption for the coming year must submit a new exemption request at this time.

If you have any questions, please contact Stanley Zoll of the Research Department, 727-3136.

Date: June 20, 1983

This letter replaces June 25, 1982

Property Tax Escrow Report
on Mortgages for 1-4 Family Dwellings
For the period July 1, 1982 to June 30, 1983

Institution:_____ Name of person who prepared
Address: _____ report: _____
_____ Telephone Number:_____

1. During the period 7-1-82 to 6-30-83 did you have outstanding any mortgages on 1-4 family dwellings: Yes_____ No_____

2. If answer to above was yes, did you collect property tax escrow payments on any of these mortgages on 1-4 family dwellings occupied in whole or in part by the mortgagor? Yes_____ No_____

IF YOU ANSWERED "NO" TO QUESTION 1 AND/OR QUESTION 2 STOP HERE AND RETURN FORM TO THE COMMISSIONER OF BANKS. IF YOU ANSWERED "YES" TO THESE QUESTIONS, CONTINUE COMPLETING THE QUESTIONNAIRE.

3. Total number of mortgagees with tax escrow payments serviced during the period _____

4. Interest rate paid on property escrow accounts* _____%

(If you answer 0% to Question 4, omit Questions 4A and 4B, and proceed to Question 5A only.

A. Basis for computation (check one): Simple _____ Compound _____

1. If simple: basis year in days _____

2. If compound:

a. Compound period (check one):

(1) daily_____ (2)_____ (3) quarterly_____ (4) semi-annually_____

b. Effective rate

B. Method of payment of interest (check one):

(1) check_____ (2) deduction from outstanding loan principal_____ (3) added to escrow balance_____

(4) other (specify)_____

5. Provide a statement showing the amount of net profit or loss from the investment or other use of the property tax escrows. Include an indication of gross profit from tax escrow investment or use, related operating expenses, and interest paid on tax escrow. Mortgage banking firms must also account for indirect benefits from the use of tax escrows, including those associated with maintenance of compensating balances at credit line banks.

* To insure clarity, if the interest rate paid was less than 1% it should be recorded as follows: 1/2 of 1% or 3/4 of 1%, etc.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 20-4

Guidelines Governing Advertising of Term Deposit Accounts

Pursuant to the authority of Massachusetts General Laws, Chapter 167, Section 5; Chapter 168, Section 22C and Chapter 172, Section 50, the following guidelines are issued to be effective immediately.

Purpose:

As a response to numerous consumer complaints and inquiries, these guidelines are promulgated for the purpose of ensuring compliance with Federal and State Regulations governing Advertising of Term Deposit Accounts.

Guidelines:

I. Federal and state regulations prohibit banks from making any advertisement relating to the interest or dividends paid on deposits which is inaccurate or misleading or which misrepresents their deposit contracts. An examination of newspaper advertising reveals that in virtually all instances the advertisements say in substance "early withdrawals are subject to substantial penalty." There is seldom, if ever, any wording to indicate that withdrawal itself is conditional. Depositors reading such advertisements interpret them to mean that withdrawal is assured subject to the penalty imposed. Any institution, therefore, whose advertisements state merely that early withdrawal shall be subject to substantial penalties will be required to permit withdrawals on request, subject to the applicable penalty. Henceforth, advertisements must disclose that early withdrawal is granted only with the bank's consent, and if consent is granted a substantial penalty will be imposed.

II. If an institution advertises the "effective annual yield" it must make sure that the basis of computation; i.e., 360, 365 or 366 days, produces the yield advertised.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 20-5

Guidelines Governing Penalties for Premature Withdrawal from Term Deposit Accounts: Savings Banks and Commercial Banks

Pursuant to the authority of Massachusetts General Laws, Chapter 167, Section 5; Chapter 168, Section 22C and Chapter 172, Section 50, the following guidelines are issued to be effective immediately.

Purpose:

As a response to numerous consumer complaints and inquries, these guidelines are promulgated for the purpose of ensuring compliance with Federal and State Regulations governing the imposition and computation of penalties for premature withdrawal from Term Deposit Accounts.

Guidelines:

I. As a term of the deposit contract, a premature redemption penalty must be clearly disclosed. A bank is to impose only that penalty actually disclosed in the deposit contract. It is not permissible for the disclosure to the consumer to state the penalty in terms of a minimum so that a greater penalty might be assessed later at the time of early withdrawal.

For example, if the contract reads:

"The penalty for early withdrawal shall be the forfeiture of at least six months' interest;"

or

"The minimum penalty shall be the forfeiture of six months' interest."

then the bank may charge no more than six months' interest in either situation.

II. Banks are prohibited from employing methods of penalty calculation which cannot be readily ascertained by reading the terms of the Term Deposit Agreement itself.

Questions have arisen regarding calculation of the three and six months' penalties; i.e., is the penalty calculated on the first three or six months or on the last three or six months. Where interest has been compounded, calculation based on the latter will result in a greater penalty than if figured on the former. Unless the contract specifically states that the penalty will be calculated and assessed upon the last three or six months, a bank must calculate and assess said penalty on the first three or six months.

III. Regulations presently require that the disclosed Annual Percentage Rate (APR) for loans secured by Term Deposit Accounts be "no less than one percent" greater than the deposit rate. Term Deposit Agreements frequently state that the APR for such loans shall be "no less than two percent" greater than the deposit rate. Deposit agreements and bank personnel should clearly state to the consumer that the actual APR charged will be determined at the time the loan is requested and may be a substantially higher rate than the minimum required by regulation, by the contract, or the rate in effect at the time deposit is made.

IV. As a matter of policy, bank employees should give prospective depositors the opportunity to examine the terms of the contract before the deposit is made. At present, depositors generally receive the terms of the contract subsequent to making the deposit.

Bank employees should also be cautioned against making false assurance depositors that the bank will comply with any request for withdrawal. Instead bank employees should be instructed to point out that F.D.I.C. regulations prohibit the bank from giving its consent to withdrawal prior to the time withdrawal is sought. Oral disclosures of incorrect or misleading information concerning Term Deposit Accounts will be considered serious misrepresentation.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 20-6

Co-operative Banks

Conversion of Existing Term Deposit Accounts into All Savers' Certificates

The Commissioner of Banks has received numerous inquiries from thrift institutions asking whether 209 CMR §24.06, paragraph 6(b) permits them to convert existing term deposits, including money market term deposits, into All Savers' certificates without imposition of the premature withdrawal penalty required by regulation. In response to those inquiries, the office of the Commissioner of Banks promulgates the following interpretative ruling explaining the circumstances under which a Bank may permit the conversion of any of its outstanding term deposit accounts, including money market term deposit accounts, to All Savers' certificates.

a. A bank may convert any of its outstanding term deposit accounts (including interest earned but not credited to the account), or any portion thereof, to an all-savers' certificate without imposing an early withdrawal penalty on the outstanding term deposit, if:

   (1) the account owner and the bank agree to the conversion;

   (2) the original maturity (one-year) of the new all-savers' certificate is equal to or exceeds the remaining term (at conversion) on the outstanding term deposit; and

   (3) the rate paid on the all-savers certificate does not exceed the rate being paid on the outstanding term deposit. In order to determine whether this requirement is met, a bank may either compare (a) the effective annual yields of the accounts, or (b) the nominal rates of the accounts.

b. This conversion policy also pertains to all categories of outstanding term deposit accounts, notwithstanding that the outstanding term deposit accounts may contain provisions in their penalty clause section reading that any change in the account's term or rate of earnings shall be considered as a withdrawal of the entire account balance.

c. In instances in which an account owner converts a portion of a money market term deposit to an all-savers' certificate, and the remaining balance is less than $10,000, a bank may:

(1) impose, on the remaining balance, the early withdrawal penalty specified in the money market term deposit;

(2) not impose the penalty, and pay its regular passbook rate on the remaining balance, provided the balance remains in the account until the maturity date of the money market term deposit; or

(3) not impose the penalty, and allow the account owner to convert the remaining balance to another type of term deposit account (e.g., to a small savers' term deposit), provided the other type of account's (a) term to maturity is no shorter than the term remaining on the money market term deposit, and its (b) effective annual yield is no higher than the effective annual yield paid on the money market term deposit.

Date: October 8, 1981

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 22-1A Statutory Verification of Savings Accounts

Purpose:

Revision of rules for the verification process that is required for compliance with General Laws, Chapter 168, Section 64. The new rules have been formulated to allow the use of negative verifications consistent with generally accepted auditing standards.

RULES TO BE FOLLOWED BY CERTIFIED PUBLIC ACCOUNTANTS WHEN CONDUCTING THE STATUTORY VERIFICATION OF SAVINGS DEPOSITS OF MASSACHUSETTS SAVINGS BANKS (GENERAL LAWS, CHAPTER 168, SECTION 64)

1. These rules supersede any previous rules on the subject issued by this Office.

2. Verification shall be performed annually in the connection with audit prescribed by Section 63 of Chapter 168.

3. The method and scope of accounts selected should be determined by existing internal controls to the extent deemed necessary by the firm engaged and in accordance with generally accepted auditing standards. The use of positive or negative confirmation requests shall be left to the judgment of the C.P.A.

4. The form "Report of Verification of Savings Deposit Accounts" (copy attached shall be prepared and signed by the auditor. The auditor shall send the report to the bank and shall send a copy thereof to the Office of the Commissioner of Banks.

5. If a savings bank is verifying savings accounts itself under a plan approved by the Commissioner of Banks, the attached form will not be prepared by the auditor. It continues to be the responsibility of the savings banks to report the results of the self-verification to the Commissioner of Banks.

6. Self-verification plans and amendments to such plans must be approved by the Office of the Commissioner of Banks. Plans and amendments submitted for approval must be accompanied by the written approval of such plans and amendments by the firm of certified public accountants elected to audit the bank under Section 63 of Chapter 168.

22-1.1

SAVINGS BANKS

REPORT OF VERIFICATION OF SAVINGS DEPOSIT ACCOUNTS

(General Laws, Chapter 168, Section 64)

Name of Bank _____ Location _____

s report to be filed at the office of the Commissioner of Banks not later than ninety (90) days after the commencement of the verification.

Verification close of business _____

ACCOUNTS		DEPOSITS	
otal number of accounts on date of verification	_____	5. Total amount of deposits at beginning of verification	$ _____
Total number of accounts selected for verification *	_____	6. Total amount of deposits covered by verification notices *	$ _____
Total number of accounts replied *	_____	7. Total amount of deposits replied *	$ _____

OTHER INFORMATION

8. Number of accounts in which discrepancies were found _____

9. Did the verification disclose any differences other than those of a clerical nature? (If answer is "yes", attach separate sheet giving details). _____

10. Were deficiencies noted in internal controls? (If answer is "yes", were they reported to management in writing?) _____

11. Number of accounts verified "address unknown". _____

12. Cost of verification _____

The verification of the savings deposit accounts of the above-named bank was performed in accordance with generally accepted auditing standards.

te _____ Signature of C.P.A. _____

Firm _____

Address _____

Includes accounts verified over the counter.

RULES TO BE FOLLOWED BY CERTIFIED PUBLIC ACCOUNTANTS WHEN CONDUCTING THE STATUTORY VERIFICATION OF SAVINGS DEPOSITS OF MASSACHUSETTS SAVINGS BANKS (GENERAL LAWS, CHAPTER 168, SECTION 64)

1. These rules supersede any previous rules on the subject issued by this office.

2. Verification shall be performed annually in the connection with the audit prescribed by Section 63 of Chapter 168.

3. The method and scope of accounts selected should be determined by existing internal controls to the extent deemed necessary by the firm engaged and in accordance with generally accepted auditing standards. The confirmations should be prepared on a positive basis, mailed and received by the firm engaged under proper audit controls. This may require a second notice.

4. The form "Report of Verification of Savings Deposit Accounts" (copy attached) shall be prepared and signed by the auditor. The auditor shall send the report to the bank and shall send a copy thereof to the office of the Commissioner of Banks.

5. If a savings bank is verifying savings accounts itself under a plan approved by the Commissioner of Banks, the attached form will not be prepared by the auditor. It continues to be the responsibility of the savings banks to report the results of the self-verification to the Commissioner of Banks.

6. Self-verification plans and amendments to such plans must be approved by the office of the Commissioner of Banks. Plans and amendments submitted for approval must be accompanied by the written approval of such plans and amendments by the firm of certified public accountants elected to audit the bank under Section 63 of Chapter 168.

TRUST COMPANIES

REPORT OF VERIFICATION OF SAVINGS DEPOSIT ACCOUNTS

(General Laws, Chapter 172, Section 65)

(Name of Bank) _____ (Location) _____

This report to be filed at the office of the Commissioner of Banks not later than ninety (90) days after the commencement of the verification.

1. Verification close of business _____

ACCOUNTS		DEPOSITS	
2. Number of accounts on date of verification	_____	8. Total amount of deposits at beginning of verification	$_____
3. Total number of accounts selected for verification *	_____	9. Amount of deposits covered by verification notices *	$_____
4. Total number of accounts actually confirmed *	_____	10. Amount of deposits actually confirmed *	$_____
5. Percentage of number of accounts selected to total number of accounts *	_____%	11. Percentage of balances selected for confirmation to total amount of deposits *	_____%
6. Percentage of confirmations to total number of accounts *	_____%	12. Percentage of balances confirmed to total amount of deposits *	_____%
7. Percentage of confirmations to number selected *	_____%	13. Percentage of balances confirmed to total selected *	_____%

OTHER INFORMATION

14. Number of accounts in which errors were found _____

15. Number of each account selected for verification (First and last number where taken consecutively) (Attach list)

16. Cost of verification $_____

17. Did the verification disclose any differences other than those of a clerical nature? (If answer is "Yes", attach separate sheet giving details.)

* Includes accounts verified over the counter.

18. (a) Was verification conducted in conjunction with an audit? _____

(b) If not, was proof of cash made? _____

19. (a) Is proper segregation of inactive accounts in effect? _____

(b) Was the proper proportion of this group of accounts included in the number selected for verification? (Not less than 5%) _____

20. Number of notices sent that were signed by the executive officer (second notice). _____

21. Are accounts in regard to which notices were returned because of unknown or incomplete address segregated under dual access? If on computer are they properly controlled? _____

22. Were deposits and withdrawals totalled, previewed and compared with the summary entries for a consecutive 60-day period? _____

23 (a) Was closed account file reviewed and the withdrawals that closed these accounts checked? _____

(b) Was the required number of this group verified? (Not less than 25% of accounts closed since previous verification) _____

24. Were signatures of accounts confirmed compared with signature cards? _____

25. Were any inadequacies noted in computer systems or programs? _____

I hereby certify that I supervised the verification of the Savings Deposit accounts of the above-named bank; that accepted audit procedures were followed; that I have carefully reviewed the answers to the above questions and believe them to be correct.

Signature of C.P.A._____

Date_____ P. O. Address_____

INSTRUCTIONS TO AUDITORS

Guidelines to be followed by Auditors when conducting the statutory verification of Savings deposits of Massachusetts Trust Companies:

1. Date of verification to be fixed after consultation with the Director of Trust Company Examinations having in mind the proper spacing of visits of the Examiners and Auditors. Regardless of previous commitment, the Auditor should notify the Director within a reasonable time preceding the commencement of the verification. Notification in writing shall be made stating that the verification has commenced, whereupon the necessary forms will be sent by this office.

2. Those verfications which are not made in conjunction with an audit of the bank must be supplemented by at least minimum auditing procedures.

3. Approximately 20% of all Savings accounts shall be confirmed by direct positive verification. Accounts verified should include a sufficient number of the following categories to provide an adequate test:

   a. accounts closed since the previous verification;

   b. inactive accounts;

   c. passbooks held as collateral for loans when, in the Auditor's opinion, the system for control of collateral is not functioning properly;

   d. passbooks held in safekeeping without specific permission of the Commissioner of Banks should be returned to the depositor in company with the verification. Transactions involving such accounts should be subjected to appropriate audit procedures.

4. Disbursement of accounts paid to the Commonwealth under the Abandoned Property Act should be audited.

5. If, in the opinion of the Auditor, the scope of the verification should be increased or reduced, the Director of Trust Company Examinations should be consulted.

6. Bank's records should not be marked by the Auditor in any manner that would identify a verified account.

7. Bank's name should not appear on the return envelopes. They should be addressed to the Auditor's office or to a post office box rented especially to receive them.

8. Second notices should be sent over the signature of the chief executive officer of the bank.

9. Accounts which do not respond to either verification letter should be subject to any or all of the following according to the Auditor's judgement:

   a. appropriate audit procedures by the verifier;

   b. turned over to the bank's internal auditor for follow-up;

   c. followed by the verifier during the next verification.

10. Accounts in regard to which notices have been returned as undeliverable by the Post Office and for which, after suitable investigation, the bank cannot provice a satisfactory address should be converted to inactive status under the supervision of the bank's Auditor.

11. A determination should be made that the system of opening new accounts and the supplies used for that purpose are subject to proper safeguards.

12. The foregoing should be considered minimal and the Auditor should apply additional accepted audit procedures wherever circumstances require them.

MASS. AF-24.8: A65/23-2

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

GOVERNMENT DOCUMENTS COLLECTION

NOV 23 1988

University of Massachusetts Depository Copy

Reference No. 23-2
October 17, 1988

Massachusetts General Laws
Chapter 167C, section 3
Chapter 171, section 2
All Banks and Credit Unions

MEMORANDUM ON THE ESTABLISHMENT OF BRANCH OFFICES LOCATED AT EDUCATIONAL FACILITIES

AUTHORITY

This memorandum is issued by the Commissioner of Banks under the authority of General Laws chapter 167C, section 3 and General Laws Chapter 171, section 2.

APPLICABILITY AND SCOPE

The terms and conditions of this Administrative Bulletin govern the establishment and operation of certain limited purpose branch offices located at educational facilities, pursuant to the provisions of General Laws chapter 167C, section 3, and, where applicable, General Laws chapter 171, section 2. It does not apply to temporary associations formed for educational purposes under General Laws chapter 167, section 37 or student banks organized under General Laws chapter 167, section 37B.

The purpose of this memorandum is to set forth the Division of Banks' minimum requirements for the establishment of such branch offices. All school branch applications shall be reviewed under the same supervisory standards and procedures accorded to ordinary branch applications. All applicants, however, must also demonstrate, as a matter of record, that a clearly articulated and defined educational and/or vocational training objective will be served by the establishment of the branch. Applications that do not meet these minimum requirements will not be approved by the Commissioner of Banks.

All school branches are subject to state and federal statutory requirements governing state-chartered financial institutions including the posting of all consumer protection and other notices required by law.

DEFINITIONS

The following definitions apply to the terms used in this Administrative Bulletin unless the context otherwise requires:

Commissioner: Commissioner of Banks

Division: Division of Banks

Educational Authority: The local school committee or governmental body which governs the affairs of a public educational facility. The term shall also include the Board of Trustees or similar governing body of a private educational institution.

Educational Facility: A public or private secondary or vocational school located within the Commonwealth.

Financial Institution: A state-chartered savings bank, co-operative bank, trust company or credit union.

School Branch: A limited purpose branch office located at an educational facility which is established under General Laws chapter 167C, section 3 or General Laws chapter 171, section 2 and these guidelines.

PROCEDURES FOR THE ESTABLISHMENT OF BRANCH OFFICES LOCATED AT EDUCATIONAL FACILITIES

General Requirements

A. Application

A financial institution seeking to establish a branch office at an educational facility must make written application to the Commissioner. Such application shall be made on forms supplied by the Division and shall contain: a written notification that the deposits of such branch are insured by a [illegible] deposit insurance agency; the prior written approval or vote of the appropriate educational authority; an executed written agreement relative to the operation of the school branch office between the financial institution and the educational authority which meets the requirements of paragraph B; a written curriculum plan developed with and approved by the educational authority which meets the requirements of paragraph C; and, such other information as the Commissioner may require from time to time.

B. Operational Agreement

A formal written agreement must be entered into between the educational authority and the financial institution governing the operation of the school branch. Such agreements must be reviewed and renewed annually.

1. Mandatory Provisions

All agreements shall contain provisions relative to the following matters:

(a) Hours of Operation: The school branch's days and hours of operation during the academic year, and if applicable, during school vacation periods, must be specified.

(b) Security: The agreement must allocate responsibility for the security of the school branch banking facilities to the financial institution. The agreement must also contain provisions relative to the general security of the areas adjacent to the school branch.

(c) Liability and Fidelity Insurance: The financial institution shall agree to maintain adequate liability insurance for the school facilities under its control. The branch must also be covered by the financial institution's blanket bond.

(d) Banking Services: The agreement shall specify the number and types of banking services to be offered at the school branch. If the branch is not open to the general public, the agreement shall also specify to whom the branch's services may be offered.

(e) Staffing: An adult paid employee of the financial institution must be at the school branch during business hours to supervise its operation. All services provided by the branch must be handled by high school students. Students should be selected by a process agreed upon by the financial institution and the educational authority.

(f) Student Training: The financial institution shall be responsible for student training done on the financial institution's premises, outside school time, and on school branch premises at all times when the branch is open. The extent of this training shall be set out in the curriculum plan between the financial institution and educational authority.

(g) Salaries: The agreement shall specify whether participating students will be paid by the financial institution. The payment of students, whether during training or while working in the branch, is a matter to be agreed upon by the financial institution and the educational authority.

(h) Termination of Branch: The agreement shall provide that neither the financial institution nor the educational authority shall close or move the school branch until all necessary regulatory approvals have been obtained.

(2) Optional Provisions

Agreements relative to school branches may contain the following optional provisions:

(a) Signage: Any reasonable provision relative to the design, size or placement of the name or logo of the school branch.

(b) Branch Maintenance: Any reasonable provision relative to the construction, remodeling or repair of the school branch facilities.

(c) Other Provisions: An agreement between a financial institution and an educational authority may contain any other provision relative to the establishment and operation of a school branch that the parties may deem necessary.

C. Curriculum Plan

A school branch is an educational facility to be used for the training of students, on school premises, in the basic principles and practices of banking by actual participation in a branch operation. A curriculum plan, therefore, should be designed that achieves these objectives in accordance with accepted educational standards. All such curriculum plans must be drafted and approved by the educational authority prior to the submission of a school branch application.

MASS. AF24.8:24-1-9

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 24-1

Banks

GOVERNMENT DOCUMENTS COLLECTION
DEC 5 1984
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Insufficient Fund Charge Guideline
and
Opinion Relative To
Chapter 230 of the Acts of 1984
Governing Savings and Checking
Accounts of Certain Depositors

Chapter 230 of the Acts of 1984, in summary, prohibits a bank, as defined in section 1 of Chapter 167D of the General Laws, from imposing any fee, charge or other assessment against the savings account or checking account of any persons sixty-five years of age or older or eighteen years of age or younger. However, the Act specifically provides that a reasonable charge, as determined by this Office, may be assessed against any such account of any such persons when payment has been refused because of insufficient funds on any check drawn on such account.

Pursuant to the requirements of the Act, this Office has determined that a charge to be assessed for a check drawn on the account of such a person but refused because of insufficient funds shall not exceed $5.00 per check.

Although this Act followed the traditional legislative process and, in fact, was amended from the original petition a number of issues have been raised as to the extent of its coverage. This Office has received a significant volume of inquiries and a request for an opinion on several of the Act's provisions. But there are limits, grounded in the language, purpose and history of a particular statute, on how far an agency may go in its interpretive role. Accordingly, the following response may not resolve each question that has been raised in the minds and inquiries of those affected by its provisions. Fortunately, the Legislature which passed the Act remains in session and is the final forum, should it choose to act, for resolution of these issues.

In issuing this opinion, the Division of Banks is aware, as was the Legislature, that some institutions, prior to the passage of this Act, had voluntarily exempted from their schedule of fees, charges and assessments one or both of the particular age groups addressed by this statute. Although this opinion may be viewed as a safe harbor until further legislative action occurs it is not intended to encourage, in any way, retrenchment by those institutions from any existing policies which may exceed not only the particulars of this response but also those of the statute itself.

Accounts Subject to the Provisions of this Act

Questions have been raised relative to the scope of the accounts covered by the Act and whether each type of account must be provided to an eligible depositor.

As with any issue involving the interpretation of an Act the analysis must begin with the language of the statute itself. Chapter 230 specifically refers to a "savings account" and to a "checking account". Those terms although central to the analysis of this Act are not defined within the applicable statutes. Clearly, if the Legislature had spoken more specifically the task would be simple. However, the Division of Banks has a long history of attributing to the Legislature an intelligent and intelligible policy and of fitting new statutes into the existing framework in an effort to make a coherent whole. Therefore, rather than resorting to definitions contained in regulations of a federal agency or in non-banking statutes the Division has reviewed the existing deposit statutes from the perspective of its understanding of the purpose of this Act.

Chapter 590 of the Acts of 1983, in part, eliminated a specific reference to savings deposits within Chapter 167D of the General Laws. As amended by that Act the statute now provides for demand, time and other types of deposits. One thrust for that amendment was recognititon of the various types of deposits which would result from the on going deregulation of the deposit side of the balance sheet. The initial lack of classification of the Money Market Deposit Account by federal regulators was an example of that deregulation. In light of the lack of defined terms, the variety of deposit accounts now available and this Division's understanding of the purpose of Chapter 230 it is the opinion of this Office that the terms savings account and checking account should be given what may be viewed as their traditional meaning. Accordingly, "checking" would be a demand deposit account while "savings" would include a passbook or a statement account and a regular NOW account. In response to specific inquiries a Super Now and Money Market Accounts would not be governed by the provisions of Chapter 230.

Since the prohibitions of this Act are keyed to each such account this Office does not agree with a reading of this statute which would infer that only one of either a savings account or a checking account per eligible depositor is required for compliance.

Depositor Eligibility

Questions have been raised regarding depositor eligibility relative to the definition of "persons"; the law's applicability to accounts on which all parties are not within the specified age groups and whether the Act affects existing depositors.

Another threshold issue raised by the language of the Act is which "persons" are covered by the law. In construing statutes there is within the General Laws a provision, section 7 of Chapter 4, whereby various terms are defined. It is that section of law which generally provides that the word "person" includes business related entities. However, that section allows for a different interpretation if a contrary interpretation clearly appears. Viewing the language of this Act with its criteria of age as well as its underlying purpose,it is the opinion of this Office that the accounts covered by this Act are limited to those held by consumers for non-business purposes.

The issue of eligibility is also raised when more than one person is a party to an applicable account and all such parties do not meet the age requirements specified in the Act.

The crucial question here is did the Legislature intend to establish a general prohibition for the imposition of fees, charges or assessments for any account to which a person meeting the age requirements is a party. The plain language of Chapter 230, weighs against implication of such a general prohibition. If so intended, language stating such coverage could have been inserted. However, recognititon must also be given to the purpose of this particular statute. In so doing, this Office concludes that the Legislature did not intend this Act to result in widespread disruption of account relationships the nature of which do not lend themselves to potential abuse of the benefits provided by the Act. Therefore, it is the opinion of this Office that in order to be eligible for the coverage of this law all parties to an applicable account must meet the age requirements specified therein unless the only party not meeting such requirements is the spouse of the eligible depositor.

Although it has been argued that the coverage of this Act should be prospective, it is the opinion of this Office that eligibility for the benefits of this law extends to existing account holders as well as new depositors.

Implementation of Chapter 230

The statute does not specify a process whereby a bank is to determine those depositors eligible for the protections afforded by this law and questions have been raised as to how this should be accomplished.

It is the opinion of this Office that a bank can comply with the provisions of this Act by a two step process consisting of notice and registration. Since banks are generally not aware of the age of depositors and depositors may not be generally aware of the passage of Chapter 230 the first step should be for institutions to provide depositors with specific information on the coverage of the law. Such notice should be accomplished by conspicuous posting in all offices and disclosure in any periodic account statement. Concurrent with such notice each bank should provide a registration form requesting therein only that information and proof necessary to implement the statute. After a bank has initiated such a process the responsibility would rest with each depositor to come forward and identify himself as eligible under the Act. Once such eligibility has been established the responsibility to terminate a depositor's enjoyment of these benefits upon reaching age 19 would lie with the bank.

Type of Fees Covered

A number of questions have been raised relative to the scope of the "fees charges and assessments" covered by the Act. In summary, some argue that there should be a distinction made between a fee and payment for what is called a separate service, such as a wire transfer and numerous other acts. Alternatively, questions are raised as to whether such "services" may be charged to another account, or could a person waive the protection provided by the statute.

Focusing once again on the language of Chapter 230 this Office finds no suggestion of a distinction for services. By its terms the prohibition runs against the account itself and not the nature of what it is being assessed for. The words used "any fee, charge or other assessment" are so broad as to be inclusive of all acts relative to an applicable account except for the charge for insufficient funds. However, any charges mandated by federal rate control can be assessed against an applicable account since this statute would be preempted.

In conjunction with this interpretation this Office would view any assessment against a separate account for a transaction involving an account covered by the Act to be a clear circumvention of the law.

Moreover, the statute does not specifically provide for a consumer to waive the protections offered by the Act. However, the affirmative obligation on a depositor to come forward to exhibit eligibility, as outlined previously, provides the depositor the opportunity to effectively waive these protections by simply not establishing eligibility

Varied Terms and Conditions

The issue has been raised that since Chapter 230 does not restrict a bank's authority to set other terms and conditions on accounts of eligible depositors a bank could, under current law, choose to vary the interest rate, minimum balances or, in the extreme, not offer such accounts to those depositors covered by the Act.

In seeking to address those questions and inquiries that have been fairly raised this Division has focused on the language of Chapter 230 and the body of law which it amends. Where appropriate, consideration has been given to our understanding of the history and Legislature's purpose in enacting this statute. It is the conclusion of this Office that significant weight must be given to the purpose of this Act when considering this issue in light of the silence of Chapter 230 and the authority existing in current law. The purpose of Chapter 230, as understood by this Division, is solely to add a feature - no fees, charges or assessments - to the accounts of those depositors meeting the age requirements set out in the law. A bank's general ability to structure the terms and conditions of accounts if used to diminish, in any way, the account of only those depositors eligible for the benefit afforded by Chapter 230 would result in a clear violation of the spirit of that law.

Penalties, Enforcement

As enacted Chapter 230 does not set out any specific penalty for non-compliance. The question has thus been asked as to how enforcement will be handled and what penalties may be imposed.

To enforce the statutory provisions of Chapter 230 this Office will exercise those powers and impose those penalties granted under the general banking statutes, such as section 12 of Chapter 167, and under the applicable chapter of the General Laws governing each institution.

Paul E. Sullivan

1F24.8: A65/no

COMMONWEALTH OF MASSACHUSETTS

DIVISION OF BANKS

ADMINISTRATIVE BULLETIN

Ref. No. 24-2

Issued: December 22, 1992

All State-chartered
Savings, Co-operative
Banks and Trust Companies
G.L. c. 167D, §2

Guidance on Compliance With
the Provisions of General Law Chapter 167D §2
the "18-65 Law"

AUTHORITY AND SCOPE

These guidelines are issued under the authority of G.L. c. 167D, §2. The purpose of these guidelines is to provide state-chartered banks with guidance on how to comply with the provisions of the "18-65 law" so called. This Bulletin is arranged in a question and answer format in order to provide useful and practical information to institutions and individuals seeking information on the scope of the 18-65 law and its implementing directive, Administrative Bulletin 24-1. Institutions with additional questions or concerns should refer to the administrative bulletin and the statute for additional guidance on the law's scope.

QUESTIONS AND ANSWERS

1. What checks are free of printing charges?

   The institution's basic line of checks is covered by the 18-65 law. These checks must be provided free of charge to any person falling within the protected categories of the 18-65 law.

2. Does a "basic check" include the account holder's name only?

   Yes. Most banks and merchants now require the drawer's name to be imprinted on the face of a check before it will be cashed or accepted. Since blank checks are not generally accepted, all 18-65 account checks must have this minimum data imprinted without charge. The 18-65 law, however, does not require that specially designed, or custom, checks or imprints be provided to 18-65 customers. If these individuals choose these special design features, they may be charged the full price of such check line.

3. Are withdrawals in the form of a certified check, bank check or money order free of charge?

Yes. G.L. c. 167D, §2 specifically prohibits all types of fees or charges on the accounts of protected account holders. Consequently, all fees other than those expressly specified by the statute or Administrative Bulletin are prohibited.

4. Are fees for ATM card transactions prohibited?

No. Fees may be charged if the use of an ATM is an optional account feature. Fees would be prohibited, however, if an ATM is the only permitted means of access to the protected account.

5. Are fees for a Stop Payment Order prohibited?

Yes. See Question 3.

6. Are fees for wire transfer prohibited?

Yes. See Question 3.

7. Are fees for the return of an unpaid, or NSF, check drawn on the accounts of another prohibited?

Yes. See Question 3.

8. Must only one account (savings or checking) be offered to a qualifying person?

No. Administrative Bulletin 24-1 specifically states that a qualifying individual is entitled to receive one savings and one checking account.

9. May a bank choose which accounts are subject to the 18-65 law?

No. All existing checking and savings accounts must be made available to an 18-65 customer.

10. May a bank require an adult cosigner on a minor's account?

Yes. The 18-65 law does not prohibit a bank policy requiring adult cosigners for minor accounts. Such accounts remain protected under the statute.

11. Is a trust account established for the benefit of a minor subject to the 18-65 statute?

No. A minor is only the beneficiary of a trust account. The account is a separate entity from the minor which can be accessed by a nonqualifying person under the 18-65 law. Therefore, it is not a minor's account and not covered by the 18-65 law.

12. Does the 18-65 law's benefits end on a person's 18th birthday?

No. The 18-65 law protection continues until the person reaches 19 years of age.

13. Must notice of the 18-65 law be posted in all of the Bank's offices?

Yes. A notice informing customers of the availability of 18-65 protection must be posted within all banking offices. The location and size of such notice are left to the discretion of Bank management. All notices, however, are subject to examiner review and comment.

14. Must there be an annual disclosure of the 18-65 law to all customers?

Yes. No particular form of annual notice is specified by the 18-65 law or this Administrative Bulletin. An annual disclosure placed in a monthly account statement would be deemed sufficient.

15. Must an eligible person formally notify, or register with, a bank in order to obtain the 18-65 law's benefits?

Yes. Anyone eligible for an 18-65 account has the burden of notifying their bank of his or her status. A bank is not liable for any fees assessed to an account prior to notification or registration.

16. Is there a maximum insufficient fund charge under the 18-65 law?

Yes. The current maximum charge for an insufficient funds fee is $5 as set by Administrative Bulletin 24-1. This maximum charge may be subject to future change.

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MASS. IT24.8: 26-1

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 26-1
June 30, 1986

Savings Banks
Co-operative Banks
Trust Companies
(Chapter 167, Section 6)

Directive Governing The Issuance Of Subordinated Debt Securities For Consideration In Meeting Regulatory Capital Requirements

Requirements Applicable To Issuance

A state-chartered financial institution, other than a credit union, issuing subordinated debt securities for consideration in meeting the capital requirements of the Division of Banks must comply with the following requirements. An offering circular and certificate, as specified below, must be submitted in advance to the appropriate Deputy Commissioner of Bank Supervision. No such circular or form shall be distributed until such materials have been released for use, in writing, by the Commissioner.

The term to maturity for any such security shall not be less than seven years. No such security shall be issued in a denomination of less than $1,000. Subordinated debt securities shall be unsecured.

Requirements Applicable To The Offering Circular

A bank issuing such debt securities shall utilize an offering circular that provides adequate disclosures of material facts so that prospective investors may be capable of making an informed decision.

Each such circular shall contain:
(1) the following statements on the cover in capital letters printed in bold-face roman type at least as high as ten-point modern type and at least two points leaded:
(a) "This security is not a savings account or deposit and it is not insured by (name of primary insurer and, if applicable, of excess insurer)";
(b) "The securities are subordinated on liquidation, as to principal, interest and premium, if any, to all claims against the bank having the same or higher priority as deposits and savings accounts";
(c) "The securities are not eligible as collateral for any loan by (name of issuing bank)"; and

(d) "The securities have not been approved or disapproved by the Commissioner of Banks, nor has the Commissioner passed upon the accuracy or adequacy of this offering circular. Any representation to the contrary is unlawful.";

(2) the name, address, principal place of business and telephone number of the issuing bank;
(3) the amount and title of the securities being offered;
(4) the offering price and proceeds to the bank on an aggregate basis;
(5) the plan and cost of distribution;
(6) the reason for the offering and the purposes for which the proceeds are to be used;
(7) a brief description of the material risks, if any, involved in the purchase of the securities;
(8) a description of the present and proposed business operations of the bank and its capital structure;
(9) the principal officers and directors or trustees of the bank and, for stock corporations, the principal stock holders and the amount of stock owned by each;
(10) the remuneration and interest in recent or proposed transactions of management and, for stock corporations, the principal stock holders and their associates;
(11) a brief description of any material pending legal proceedings;
(12) a summary of any material terms and restrictions applicable to the securities; and
(13) the following financial statements, including notes to such statements:

(a) balance sheets as of the two preceding fiscal year-ends and of the latest quarterly interim for the period that ends not later than 90 days from the date of the offering circular; and,

(b) statements of income for the preceding two fiscal years and for the most recent quarter that ends not later than 90 days from the date of the offering circular.

Requirements Applicable To The Form Of Certificate

Each certificate evidencing subordinated debt by a bank shall:
(1) bear on its face, in bold-face type, "This security is a subordinated, unsecured obligation of the bank. It is not a savings account or savings deposit and it is not insured by (name of primary insurer and, if applicable, of excess insurer). It is not eligible as collateral for any loan by the issuing bank";
(2) be in a minimum denomination of $1,000; and
(3) not be issued for a period to maturity of less than 7 years.

Applicability Towards Regulatory Capital

Neither existing statute nor this directive limits the total amount of debt securities which may be issued by a state-chartered bank. However, this Division will include in the calculation of its regulatory capital requirements that amount of such debt securities issued in accordance with this directive, which in the aggregate does not exceed fifty per cent of the capital stock, surplus account and undivided earnings for a stock corporation or fifty per cent of the surplus account for a mutual thrift institution.

MASS. AI 24.8:A65

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

GOVERNMENT DOCUMENTS COLLECTION
OCT 9 1986
University of Massachusetts
Depository Copy

Reference No. 27-1 — Adjustable Rate Personal Loans

Effective: October 13, 1986 — (Credit Unions)

MEMORANDUM ON ADJUSTABLE RATE PERSONAL LOANS

AUTHORITY

Paragraph 6 of Subdivision A of Section 24 of Chapter 171 of the Massachusetts General Laws authorizes state-chartered credit unions to make adjustable rate personal (also referred to herein as ARP) loans. The law also authorizes the Commissioner of Banks to impose conditions and restrictions on these loans. Pursuant to this authority, the Commissioner herein establishes conditions and restrictions governing adjustable rate personal loans.

This Administrative Bulletin is effective October 13, 1986 and applies to adjustable rate personal loans for which applications are received on or after that date.

DESCRIPTION

An adjustable rate personal loan has features -- usually the payment, the term, or the principal balance -- which can change to reflect a change in the interest rate. The interest rate can change at previously scheduled intervals to reflect the movement of a regional or national index measuring prevailing market rates and conditions in accordance with rules and procedures specified in the loan product description and contract documents. The conditions and restrictions herein identify parameters to the selection of those rules and procedures.

1.00 ADJUSTABLE RATE PERSONAL LOAN PRICE STRUCTURE

1.01 General Description. All adjustable rate personal loan prices, or interest rates, must be based on the sum of the value of a specific index at a particular point in time plus a margin. The credit union may select the point in time during the application process that the index is fixed and the initial interest rate of the loan is set or may allow the borrower to do so. The term "application process" includes the time between the submission of a completed loan application and payout of the proceeds. The margin selected may be a positive number, a negative number, or zero.

1.02 Index. A credit union may use as an interest rate index any regional or national measure of market rates of interest. The index used may be either a single value as of a particular date or a moving average of a particular measure of rate change over a particular period of time. In either case, the index selected must be readily available to and verifiable by the borrower and beyond the control of the credit union.

In selecting an index for a particular adjustable rate personal loan product, the credit union will identify the name of the index and the name of the publication where it can be found in the note. The term "most recently available index" will mean that value most recently published in the designated publication prior to the rate setting or rate adjustment time.

1.03 Margin. A credit union may choose any number of percentage points to add to the index value as a margin at the time the adjustable rate personal loan product is designed. The chosen margin is integral both to the structure of the ARP loan product design and any one loan and must remain constant.

1.04 Amortization Requirements. The loan may be fully amortized, partially amortized, or non-amortized as allowed by Subdivision A of Section 24 of Chapter 171 of the Massachusetts General Laws.

1.05 Introductory Discounts. A credit union may offer an ARP loan where the initial interest rate on the loan is less than the sum of the most recently available index value plus the margin, but only when no cash payment has been made to reduce the interest rate. In that case, the initial rate is determined to be an "introductory discount" and must be referred to as such in all advertising and promotional materials along with information about the regular price of the loan and information regarding the term. In no case may the amount of interest discounted at origination be carried over or deferred to a future adjustment.

2.00 ADJUSTABLE RATE PERSONAL LOAN OPTIONS

2.01 General Description. The ARP price structure (the most recently available index value plus the margin) may be modified either at origination or at the time of rate adjustment according to rules and procedures specified by any of the following permissable loan options if included in the note at origination.

2.02 Rate Caps. A credit union may choose to limit the amount that the interest rate on an adjustable rate personal loan product may change at each adjustment and/or over the life of the loan. The caps may be applied to either the base interest rate or the introductory rate, but the chosen method and maximum capped rate must be clearly identified in the note. Each payment adjustment should be considered separately from every other adjustment and should be independently calculated as required in Section (3.03A) before being modified by the periodic rate cap.

2.03 Payment Caps. Increases in the monthly loan payment that are indicated by increases in the interest rate of the loan may be limited by per adjustment payment caps. If negative amortization results, the loan balance may increase by that same amount up to the maximum loan-to-value limitations permitted by law. As an alternative to negative amortization, the term of the loan may be extended up to the maximum term allowed by law.

2.04 Convertibility. An adjustable rate personal loan may include a provision allowing the borrower to elect to convert the ARP loan from an adjustable rate to a fixed rate loan. No fees may be charged for exercising a loan conversion option.

3.00 INTEREST RATE ADJUSTMENT: CALCULATION AND NOTIFICATION

3.01 General Requirement. Any change made in the interest rate on an ARP loan over the life of the loan must be directly attributable to the movement of the index in accordance with a formula specified in the original note. The exception is discussed in Section (4.02). No fees may be charged in connection with an adjustment.

3.02 Adjustment Interval. The minimum adjustment interval permitted by statute is six months. All adjustment intervals should be of equal length, except that the first adjustment interval may be of unequal length if necessary to establish a master adjustment schedule.

3.03 Adjustment Calculation. The adjustment calculation must be based on the most recently available index as defined in Section (1.02) of these guidelines. The adjustment calculation should include the following:

A. New Index Value + Margin = New Base Rate.

B. The new base rate calculated in (A.) above should be modified if required by any selected loan options as discussed in Section (2.00).

C. Adjustments made to the payment, loan balance, or term due to the rate change as provided for in the loan design and loan documents should be calculated. If negative amortization will result, the principal balance at the time of the next scheduled adjustment will be included in the notice required in Section (3.04).

All rounding must be to the nearest one-eighth percent at the conclusion of the adjustment calculation. No minimum index movement may be required to justify a rate adjustment calculation. Rate increases are optional; rate decreases are mandatory, within limits permitted by applicable rate caps.

3.04 Timing and Notice of Adjustment. The Adjustment Calculation shall be based on the most recently available index on a fixed number of days, at least 30 but not more than 60 days, prior to the interest rate change date. The number of days selected shall be included in the loan note. A written notice shall be mailed to the borrower prior to the scheduled adjustment and shall include all of the details of the adjustment calculation required in Section (3.03) including actual mathematical calculations.

3.05 Index Replacement. If the selected index ceases to be available during the life of the loan, another index of approximately the same volatility shall be selected by the credit union. In these cases the margin specified in the loan documents will be rendered inapplicable, and the value of the substitute index at the time the loan was originated will be identified and subtracted from the base interest rate to calculate the replacement margin. The index and the replacement margin will be used in calculating subsequent interest rate adjustments. All originally selected loan options shall remain in effect.

4.00 PAYMENT ADJUSTMENT: CALCULATION AND NOTIFICATION

4.01 Connected with Rate Change. Payment adjustments which are directly attributable to rate changes shall be made in accordance with the procedures set out in Section (3.00).

4.02 Connected with Amortization Requirements. Payment adjustments made necessary either to meet requirements to fully amortize a loan after a certain period of time or because the limitations on negative amortization provided for in Section (2.03) have been reached, may take place with at least 30 days notice to the borrower. Such notification shall be in writing and shall contain a full explanation of the circumstances that have led to the payment change and how long that payment will be in effect.

5.00 PRODUCT DESIGN AND APPLICATION PROCESSING

5.01 Designing an ARP Loan Product. Any unique combination of the elements of an adjustable rate personal loan discussed in Sections (1.00), (2.00), and (3.00) constitutes a singular loan product. Once selected, all of these elements are fixed. Each separate loan product must then be separately identified by name or number. The loan application and the note shall include this identification. If any element of the loan product changes, the result is a different loan product which must have its own name or number.

The actual numeric interest rate on the loan is not one of the elements that is fixed at the time of product design. Rather, the method by which the interest rate will be established and the time which the actual interest rate will be determined is the product design element that must remain constant.

5.02 ARP Application Processing. For the purpose of establishing exactly which loan product the consumer is applying for, all application forms for adjustable rate personal loans shall have spaces provided for the identification of the specific loan product being requested. Credit unions may establish their own requirements for what constitutes a completed application under these guidelines.

MASS. AF24.8:A65

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 28-1
May 16, 1988

Credit Unions
Chapter 171, Section 15

Fidelity Bond Coverage Requirements for State-Chartered Credit Unions

The Commissioner of Banks is charged with determining the minimum acceptable fidelity surety bond coverage for certain officers, directors and employees of state-chartered credit unions pursuant to Massachusetts General Laws, Chapter 171, section 15. Regulatory requirements relative to minimum bond coverage for such credit union officers have remained constant for the past several years. A change in the amount of acceptable minimum fidelity bond coverage for credit union officers, directors and employees, however, is warranted at the present time.

Therefore, pursuant to Massachusetts General Laws, Chapter 171, section 15, the following minimum fidelity bond requirements shall be in effect, as of October 1, 1988, for all state-chartered credit unions:

Assets	Minimum Bond
$1 to $ 25,000	$10,000
$25,001 to $100,000	$25,000
$100,001 to $300,000	$50,000
$300,001 to $500,000	$75,000
$500,001 to $1,000,000	$100,000
$1,000,001 to $50,000,000	$100,000 plus $50,000 for each million or fraction thereof over $1,000,000
$50,000,001 to $295,000,000	$2,550,000 plus $10,000 for each million or fraction thereof over $50,000,000
Over $295,000,000	$5,000,000

State-chartered credit unions shall only obtain fidelity bond coverage from companies approved by the Commissioner of Banks. Such fidelity bond coverage shall also be on standard forms approved by the Commissioner. The Division recommends, but does not require, faithful performance coverage for all directors, officers and employees. Additional bond coverage should also be obtained by a credit union if its Board of Directors, upon an annual review, determine that such additional protection is required by conditions peculiar to the credit union.

The Commissioner's prior written approval must be obtained for any reduction in fidelity bond coverage.

MASS. AF24.8: 28-2

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 28-2
April 17, 1990

Credit Unions
Chapter 171, Section 15

Notice of Fidelity Bond Coverage Termination

AUTHORITY

This directive is issued under the authority of General Laws chapter 171, section 15.

APPLICABILITY AND SCOPE

This Administrative Bulletin supplements the general fidelity bond requirements for state-chartered credit unions found in Administrative Bulletin 28-1. It specifically governs the manner in which the Division of Banks shall be notified of the cancellation or termination of a state-chartered credit union's fidelity bond coverage by its surety company.

NOTIFICATION REQUIREMENTS

Effective October 1, 1990, all fidelity bonds must include a provision, in a form approved by the Commissioner of Banks, requiring written notification by the surety company to the Division of Banks: (1) when the bond of a credit union is terminated in its entirety; or (2) when bond coverage is terminated, by issuance of a written notice, on an employee, director, officer, audit or credit committee member. Said notification shall be sent to the Division and shall include a brief statement of the cause for termination.

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ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 29-1
May 16, 1988

All Banks
Chapter 167, Section 7
Chapter 167, Section 13
Chapter 168, Section 26
Chapter 170, Section 18
Chapter 172, Section 22

Directive Governing the Filing of Annual Call Reports by State-Chartered Financial Institutions

AUTHORITY

This directive is issued by the Commissioner of Banks under the authority of Massachusetts General Laws, Chapter 167, section 7; General Laws, Chapter 167, section 13; Massachusetts General Laws, Chapter 168, section 26; Massachusetts General Laws, Chapter 170, section 18 and Massachusetts General Laws, Chapter 172, section 22.

APPLICABILITY AND SCOPE

The terms and conditions of this Administrative Bulletin govern the making of "call reports", the statements, returns, and reports to the Commissioner of Banks under the above cited statutory authorities, by state-chartered savings banks, co-operative banks and trust companies. This directive, however, does not govern similar reports filed by state-chartered credit unions.

The information and data contained in call reports are used, among other things, to prepare the Commissioner of Banks' Annual Reports to the General Court as mandated by General Laws, Chapter 167, section 13. This information is also utilized by the Division of Banks and the public for general research and statistical purposes.

The purpose of this Directive is to reduce the amount of information currently required to be submitted by financial institutions. The goal is to eliminate duplicate filings resulting from the recent insurance of all state-chartered financial institution's deposits by federal deposit insurance agencies.

This directive shall govern the filing of Annual Call Reports for the period ending December 31, 1988 and all other subsequent years.

CALL REPORT
REQUIREMENTS

I. Two (2) sets of the following information, statements and reports shall be submitted to the Commissioner of Banks on or before February 1, of each year, covering the year ending the preceding December 31, by all state-chartered savings banks, co-operative banks and trust companies:

A. A certified copy of the Consolidated Reports of Income and Condition filed by the financial institution with its federal deposit insurer for the period ending at the close of business, December 31 of each year;

B. A report, on forms supplied by the Division of Banks, containing the following information;

(1) The locations of the institution's main offices and branches,

(2) The names of the institution's operating officers, and

(3) The names of the institution's trustees or directors, as the case may be;

C. If applicable, a statement, on forms supplied by the Division of Banks, on the condition of the trust department of an institution;

D. If applicable, a statement, on forms supplied by the Division of Banks, on the activities of the institution's subsidiaries;

E. A report, on forms supplied by the Division of Banks, on extensions of credit to all officers, trustees, corporators, or directors or certain individuals, by savings banks, under General Laws, Chapter 168, section 20; co-operative banks under General Laws, Chapter 170, section 19; or trust companies under General Laws, Chapter 172, section 18; and,

F. Any such other information or data the Commissioner of Banks may require from time to time.

II. All reports under section I shall be signed and certified under oath by the institution's president, treasurer and a majority of its Audit or Finance Committee or as otherwise directed.

PENALTIES

Failure or neglect to make or prepare any report required by this Directive may result in the imposition of penalties under General Laws, Chapter 167, section 7 or other provisions of law.

MASS AF24.8: A65/29-2

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 29-2
December 11, 1989

All Banks and Credit Unions
Chapter 167, Section 7
Chapter 167, Section 13
Chapter 167, Section 14

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DOCUMENTS
SECTION

Filing of Annual Call Reports By State-Chartered Financial Institutions On Their Activities Under the Community Reinvestment Act

AUTHORITY

This directive is issued by the Commissioner of Banks under the authority of Massachusetts General Laws, chapter 167, section 7; Massachusetts General Laws, chapter 167, section 13; and, Massachusetts General Laws chapter 167, section 14.

APPLICABILITY AND SCOPE

The terms and conditions of this Administrative Bulletin further govern the making of "call reports", the statements, returns, and reports to the Commissioner of Banks under the above cited statutory authorities, by state-chartered savings banks, co-operative banks, trust companies and credit unions.

The information and data contained in the Community Reinvestment Act (CRA) call reports will be used, among other things, to prepare the Commissioner of Bank's Annual Report to the General Court, as mandated by General Laws chapter 167, section 13. This information will be utilized by the Division of Banks to monitor compliance with the Community Reinvestment Act on both an individual and industry-wide basis. The Commissioner's Annual Report and the individual institutions' reports will also be available to the public for general research and informational purposes.

This directive shall govern the filing of Annual CRA Call Reports for the period ending December 31, 1989 and all other subsequent years.

ANNUAL CRA CALL REPORT REQUIREMENTS

I. On or before February 1, of each year, all state-chartered savings banks, co-operative banks, trust companies and credit unions shall submit two (2) copies of a report, on forms prescribed by the Division of Banks, containing specified information and materials on the institution's record of performance in ascertaining and meeting the credit needs of its local communities, including low and moderate income neighborhoods, during the preceding year ending December 31.

II. All reports required under section I shall be signed by the institution's president or chief executive officer or as otherwise directed.

PENALTIES

Failure or neglect to make or prepare any report required by this Administrative Bulletin may result in the imposition of penalties under Massachusetts General Laws, chapter 167, section 7 or other provisions of law.

MASS. AF 24.8: A65/29-3

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 29-3
Issued: September 18, 1991

Credit Unions
Chapter 167, Section 7
Chapter 167, Section 13
Chapter 171, Section 26

Directive Governing the Filing of Annual and Semi-Annual Reports by State-Chartered Credit Unions

AUTHORITY

This directive is issued by the Commissioner of Banks under the authority of Massachusetts General Laws, Chapter 167, section 7; General Laws, Chapter 167, section 13; and Chapter 171, section 26.

APPLICABILITY AND SCOPE

The terms and conditions of this Administrative Bulletin govern the making of the statements, returns, and reports to the Commissioner of Banks under the above cited statutory authorities, by state-chartered credit unions. This directive, however, does not govern similar reports filed by other state-chartered financial institutions. (See Administrative Bulletin 29-1).

The information and data contained in such reports are used, among other things, to prepare the Commissioner of Banks' Annual Report to the General Court as mandated by General Laws, Chapter 167, section 13. This information is also utilized by the Division of Banks and the public for general research and statistical purposes.

The purpose of this Directive is to increase the frequency by which credit unions submit financial information to the Commissioner. Another goal is to eliminate duplicate filings resulting from the ongoing process by which all credit unions' shares will be insured by a federal share insurance agency.

This directive shall govern the filing of Annual and Semi-Annual Reports for the period ending December 31, 1991 and all other subsequent years.

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ANNUAL AND SEMI-ANNUAL REPORT REQUIREMENTS

I. Two (2) sets of the following information, statements and reports shall be submitted to the Commissioner of Banks no later than 30 days after June 30 and December 31 of each year.

A. (1) A certified copy of the Consolidated Reports of Income and Condition filed by the credit union with its federal share insurer (NCUA Form 5300); or,

(2) A completed NCUA Form 5300 supplied by the Commissioner of Banks, if the credit union's shares are not federally insured.

B. A report, on forms supplied by the Division of Banks, containing the following:

(1) The locations of the institution's main office and branches,

(2) The names of the institution's operating officers, and

(3) The names of the institution's directors.

C. A report, on forms supplied by the Division of Banks, on extensions of credit to all officers, or directors or certain individuals, by credit unions as required by General Laws, Chapter 171, section 26.

D. Any such other information or data the Commissioner of Banks may require from time to time.

II. All reports under section I shall be signed and certified under oath by the credit union's president, treasurer and a majority of its Auditing Committee.

PENALTIES

Failure or neglect to make or prepare any report required by this Directive may result in the imposition of penalties under General Laws, Chapter 167, section 7 or other provisions of law.

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The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 30-1
June 1, 1989

All State and
Federally Chartered
Banks and Credit Unions

FAIR ADVERTISING GUIDELINES FOR SHORT-TERM CERTIFICATES OF DEPOSIT AND MONEY MARKET ACCOUNTS

0.0 INTRODUCTION
1.0 PURPOSE
2.0 GENERAL REQUIREMENTS
3.0 PRINT ADVERTISING
4.0 DISCLOSURE OF ASSUMPTIONS
5.0 TELEVISION AND RADIO ADVERTISING
6.0 IN-BANK RATEBOARDS

0.0 INTRODUCTION

0.1 These voluntary guidelines are the final product of the Bank Advertising Working Group formed by the Executive Office of Consumer Affairs and Business Regulation in February, 1989. The Working Group was composed of representatives from the banking industry and regulatory officials. Participants included the Executive Office of Consumer Affairs and Business Regulation, the Division of Banks, the Massachusetts Bankers Association, the Massachusetts League of Community Banks, the Credit Union League of Massachusetts, the Massachusetts Credit Union Association and the New England League of Savings Banks.

1.0 PURPOSE

1.1 The purpose of these guidelines is to suggest an approach to advertising money market accounts and certificates of deposit of less than one year in length so that the consumer is fully informed about the actual rate of interest an account pays, the compounding method used if any, and the assumptions underlying any effective annual yield which may be quoted. Use of an effective annual yield in conjunction with a simple interest account, or any other account under a year in length, has a tendency to mislead consumers unless full disclosure is made. The effect of these guidelines will be to deemphasize the effective annual yield in relation to the annual rate in advertising.

2.0 GENERAL REQUIREMENTS

2.1 These guidelines apply to all advertising in whatever form and in whatever medium for certificates of deposit or similar instruments of less than one year in length and for money market accounts, whether such accounts pay simple or compound interest.

2.2 In advertising all such accounts, use of an effective annual yield is optional, unless required by law in a particular case. In all cases, rates and yields in advertisements should be labeled with the terms, "annual rate" and "effective annual yield," respectively.

3.0 PRINT ADVERTISING

3.1 If an effective annual yield is used, it may be no larger in type size than twice the size of the typeface used to disclose the assumptions upon which the yield is based. For purposes of determining whether one type face is twice the size of another, comparison must be made between the height of a typical upper case letter in the disclosure and the height of the dominant number in the yield.

3.2 If an effective annual yield is used, it must be displayed in smaller type than the annual rate, so that attention will be drawn to the rate and not to the yield.

3.3 If an effective annual yield is used, all material assumptions underlying it, including but not limited to those listed in 4.2, must be fully disclosed. The yield must be either integrated into the body of the disclosure, or the disclosure must be placed next to each appearance of the yield. Footnote-type disclosures with the yield appearing elsewhere in the advertisement are not acceptable.

3.4 If an account pays only simple interest during its term, the phrase "simple interest" should be placed clearly and conspicuously next to the annual rate.

3.5 The guidelines apply to each advertised account individually, including to each account in a multiple account advertisement. In the case of multiple account ads for 2 or more accounts covered by these guidelines, and where the disclosure for each account is identical, then the assumptions need only be disclosed next to one of the affected accounts. Where the disclosure is not printed adjacent to a yield, appropriate reference to the assumptions should be made by asterisk or otherwise from each yield.

4.0 DISCLOSURE OF ASSUMPTIONS

4.1 The disclosure of the underlying assumptions upon which the effective annual yield is based should contain all the material factors used in determining that yield.

4.2 Depending on the particular account, such factors should include:

a. Whether the account pays simple or compound interest during the term;
b. The frequency of any compounding during the term;
c. That the yield assumes rolling over the account;
d. The fact that the advertised interest rate is not guaranteed to be available at the time of each rollover;
e. That the yield assumes that the funds remain on deposit for one year;
f. How often the rate is adjusted as in the case of a money market account, and that the same rate is not guaranteed to continue to be available;
g. Any other restrictions or assumptions pertaining to the yield, e.g., a savings account must be maintained in order to receive compound interest on the CD.

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4.3 The disclosure should be a single disclosure of uniform typeface, except insofar as a variance is allowed for the yield under guideline 3.1.

5.0 TELEVISION AND RADIO ADVERTISING

5.1 All the above rules apply to television advertising, and to radio advertising with respect to disclosure content, in addition to the guidelines below.

5.2 If an effective annual yield is shown on the screen, it must be juxtaposed next to the assumptions, and the assumptions must be orally stated.

5.3 The typeface for any required disclosure must be clearly legible, and held on the screen long enough to be read.

5.4 If the yield is only stated orally, the assumptions must also be stated orally at the time of stating the yield. Disclosure on the screen in addition to the oral statement is optional.

6.0 IN-BANK RATEBOARDS

6.1 If an account covered by these guidelines pays simple and not compound interest during its term, and is displayed on an in-bank rateboard, the phrase "simple interest" must be prominently displayed where the account is listed on the board.

6.2 If an effective annual yield is displayed on an in-bank rateboard for accounts covered by these guidelines:

a. The yield number may be no larger than the annual rate; and either:

b. The material assumptions underlying the yield must be stated in easily readable type-size on the rateboard and be placed either next to the yield, or in a clearly referenced footnote to the yield; or

c. Language such as "assumptions apply, ask for details" in easily readable type-size must be placed either next to the yield or in a clearly referenced footnote to the yield.

MASS. AF24.8: A65/31-1 ✓

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ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

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Reference No. 31-1
Issued: September 18, 1991

All Credit Unions
Chapter 167, section 2
Chapter 167, section 6
Chapter 171, section 17
Chapter 171, section 66

Directive Governing the Use of State Certified or Licensed Appraisers by Non-Federally Insured Credit Unions

Authority This Directive is promulgated by the Commissioner of Banks under the authority of General Laws chapter 167, section 2; General Laws chapter 167, section 6; General Laws chapter 171, section 17, and General Laws chapter 171, section 66.

Applicability and Scope This Administrative Bulletin requires non-federally insured credit unions to use appraisers who are certified and licensed under the provisions of General Laws chapter 112, sections 173 through 195 in certain real estate transactions. The mandatory use of certified or licensed appraisers are in addition to the credit committee certification requirements of General Laws chapter 171, section 17 and section 66.

Accurate written appraisals are critical to the safe and sound underwriting of real estate loans. The use of independent professional appraisers who adhere to uniform appraisal standards significantly reduces the risk of loss to credit unions in real estate related transactions. Moreover, the use of such appraisers is mandatory for all state-chartered federally insured banks and credit unions under the provisions of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, ("FIRREA") (Pub. L. No. 101 section 1101-22). Specific appraisal requirements govern state chartered banks whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") and credit unions whose shares are insured by the National Credit Union Administration's ("NCUA") National Credit Union Share Insurance Fund ("NCUSIF"). They are found in 12 CFR Part 323 and 12 CFR Part 722, respectively. Safety and soundness considerations and the need for uniform appraisal requirements for all state-chartered financial institutions dictate that similar appraisal requirements apply to credit unions whose shares are insured by the Massachusetts Credit Union Share Insurance Corporation under Chapter 294 of the Acts of 1961.

Appraisal Requirements

Effective December 31, 1991, all non-federally insured state-chartered credit unions shall be subject to the real estate appraisal standards and requirements of 12 CFR Part 722, as may be amended from time to time, which is incorporated by reference herein. For the purposes of this Administrative Bulletin the term "National Credit Union Administration" as used in 12 CFR Part 722 shall mean the Commissioner of Banks and the term "Federally related transaction" shall also include any real estate transaction entered into after December 31, 1991 that (1) any non-federally insured credit union engages in or contracts for; and (2) requires the services of an appraiser.

Penalty

Any credit union that fails to comply with the terms and conditions of this Administrative Bulletin will be deemed to be engaging in an unsafe and unsound practice which may result in the imposition of such sanctions or remedial measures under General Laws chapter 167, General Laws chapter 171, or Chapter 294 of the Acts of 1961, as the Commissioner may deem appropriate.

MASS AF24.8:A65/32-1 ✓

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 32-1
Issued: September 18, 1991

All Credit Unions
Chapter 167, section 2

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Minimum Regulatory Capital Standards for Credit Unions

Authority This Directive is issued by the Commissioner of Banks pursuant to the authority of General Laws chapter 167, section 2.

Applicability and Scope This Administrative Bulletin establishes minimum capital requirements for state-chartered credit unions. Capital adequacy is an essential component in determining the safety and soundness of a credit union. The following minimum capital standards shall become effective January 1, 1993.

Definitions The following words shall, unless the context otherwise requires, have the following meanings:-

"Capital" Consists of a credit union's surplus and undivided earnings, as well as the "regular reserve" mandated by 12 U.S.C. section 1762 and 12 CFR section 702.2, if the credit union's shares are federally-insured. Capital does not include: (a) Loan loss reserves; (b) investment reserves; or, (c) assets classified as loss during an examination conducted under General Laws Chapter 167, section 2, to the extent they are not reserved for in clauses (a) and (b).

"Commissioner" The Commissioner of Banks

"Credit Union" A credit union as defined by General Laws chapter 171, section 1 and subject to supervision and examination by the Commissioner.

Requirements A. Minimum Capital Standards

1. All credit unions shall maintain adequate capital levels as specified in this Administrative Bulletin.

2. The minimum capital requirement for a fundamentally sound, well run credit union shall consist of a capital to total assets ratio of three percent (3%).

3. A higher minimum capital level may be imposed by the Commissioner for those credit unions whose financial history, or condition, managerial resources and/or the future earnings prospects are not adequate, or where the credit union has sizable funding risks, excessive interest rate risk exposure, or a significant volume of assets classified substandard, doubtful or loss.

B. Inadequate Capital Levels

1. A credit union operating with less than the minimum capital requirement, required by section A, does not have adequate capital and therefore has inadequate financial resources.

2. Any credit union operating with an inadequate capital structure, and therefore inadequate financial resources, may not receive approval for any application requiring the Commissioner's approval.

3. A credit union having less than the minimum capital requirement shall, within 60 days of the date as of which it fails to comply with the capital requirement, submit to the Commissioner for review and approval a reasonable plan describing the means and timing by which the credit union shall achieve its minimum capital requirement.

4. The Commissioner in his discretion, may approve an application if he finds that the applicant has committed to and is in compliance with a reasonable plan to meet its minimum leverage capital requirements within a reasonable period of time.

C. Unsafe or Unsound Condition

1. Any credit union with a capital ratio to total assets that is less than two percent (2%) is deemed to be operating in an unsafe or unsound condition which may result in the imposition of remedial measures under section D.

2. A credit union with a ratio of capital to total assets of less than two percent (2%) which has entered into and is in compliance with a written agreement with the Commissioner to increase its capital ratio to such level as the Commissioner deems appropriate and to take such other action as may be necessary for the credit union to be operated in a safe and sound manner, will not be subject to remedial measures under section D on account of its capital ratios.

3. A credit union with a capital to total assets ratio that is equal to or greater than two percent (2%) may be operating in an unsafe or unsound condition. The Commissioner is not precluded from imposing remedial measures where a credit union has a capital to total assets ratio that is equal to or greater than two percent (2%).

D. Remedial Measures

The Commissioner, in his discretion may exercise his authority under General Laws chapter 167 section 3; General Laws chapter 167, section 22, General Laws chapter 167, section 26A and/or Chapter 294 of the Acts of 1961, as amended, to correct or resolve any credit union's failure to comply with the provisions of this Administrative Bulletin.

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The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 33-1
September 18, 1991

All Credit Unions
Chapter 167, section 6
Chapter 171, section 66

Policy Statement on Residential Mortgage Loan Underwriting by Credit Unions

Authority and Scope This policy statement is issued by the Commissioner of Banks under the authority of General Laws Chapter 167, section 6 and General Laws Chapter 171, section 66. The purpose of this Directive is to ensure that credit unions making residential mortgage loans under General Laws Chapter 171, section 65 adhere to sound underwriting practices.

Policy All residential mortgage loans made under General Laws Chapter 171, section 65 must conform to comprehensive written loan policies previously approved and updated annually by the credit union's Board of Directors. Such policies should, at a minimum, meet the specific statutory requirements of General Laws Chapter 171, section 65 and section 66.

A credit union's written policy shall also contain the following:

a. Detailed underwriting guidelines consistent with the requirements of the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), or another established secondary market participant;

b. Detailed loan processing guidelines consistent with the requirements of Fannie Mae, Freddie Mac or another established secondary market participant;

c. Specific types of real estate loans that will be offered;

d. The percentage of credit union assets that will be invested in real estate loans by type. Such allocation shall be consistent with prudent asset/liability management principles and policies;

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e. Procedures for offering residential mortgage loans for sale in the secondary mortgage market;

f. Minimum qualifications and experience of personnel involved in granting and administering real estate loans, and business loans in particular;

g. Procedures for monitoring quality control standards addressing the credit, collateral and interest rate risk within the real estate loan portfolio;

h. Mortgage loan pricing methods and policies that are consistent with current market conditions and the credit union's ability to offer competitive products; and,

i. Procedures for the prompt resolution of Other Real Estate Owned or Foreclosed Real Estate.

Enforcement — Examiners will carefully review credit union loan policies for completeness and compliance with this Administrative Bulletin during the annual examinations conducted under General Laws Chapter 167, section 2. Credit unions having deficient loan policies will be required to revise their loan policies to correct examiner criticisms.

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 84-4

June 26, 1984

State-Chartered Institutions
(Chapter 167B, Section 3)

Opinion
Relative to

Authority to Capitalize an EFT Organization

This Office has been asked for its opinion relative to the authority for a financial institution to participate in a network for a shared electronic fund transfer system if such participation would require some type of investment or loan to capitalize the network.

As with any question relative to the construction of a statute the inquiry must begin with the language of the act itself. The electronic banking law, Chapter 167B of the General Laws, was established by Chapter 530 of the Acts of 1981. Other than two minor technical amendments all authority for and provisions relative to electronic banking were set out in said Chapter 167B. Consistent with that statutory framework, authority to invest in electronic fund transfer systems should be determined from those provisions.

Section 5 of that statute infers authority to invest in an organization which assists or provides services to a financial institution in order to make available electronic fund transfers. That section provides that "No financial institution shall invest in or contract for the services of any organization unless such organization has been approved in writing by the commissioner and the financial institution has obtained a copy of such approval."

Furthermore section 3 states "The commissioner shall determine the amount which a financial institution may invest in the purchase, establishment, installation, operation, lease, use or sharing of electronic branches. . . .In making such determination, the commissioner shall consider the amount already invested by such financial institution for the transaction of its business and the current condition of such financial institution."

This Office concludes that the authority set out in section 3 viewed in conjunction with the statutory framework of this Act, includes the power to invest in an organization established to provide any or all of the investment options granted in that provision to a financial institution, a defined term which for the applicable provision refers to all state-chartered institutions.

The conclusion is strengthened by a further provision of section 3 which would require the commissioner to include a reasonable return on capital expenditures incurred in connection with the development, installation and operation of such a transfer system in a situation in which sharing was mandated. Clearly, such a capital expenditure would be authorized for permissive involvement with such a system when required by statute for a mandated entry.

Therefore, it is the opinion of this Office that a state-chartered institution is authorized to participate in the capitalization of an organization which is assisting that institution in making electronic fund transfers provided that such institution complies with the applicable provisions of said Chapter 167B. Those provisions include prior approval of such an investment on an individual basis.

Paul E. Bulman

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 84-5

July 26, 1984

Trust Companies
Stock Thrift Institutions
(Chapter 172, Section 13)

Opinion
Relative To

Qualifying Shares for Directors
Of State-Chartered Stock Institutions

The current trust company statute establishing qualifications for a director provides, in part, that "Each director shall own, in his own right and free of any lien or encumbrance, common stock, either of such corporation or of a company owning seventy-five percent of the stock of such corporation, having a par value, or a fair market value on the date the person becomes a director, of not less than one thousand dollars".

This provision of trust company law is now applicable to stock savings banks and stock co-operative banks pursuant to the statute governing the conversion of such banks from mutual to stock corporations. The reason generally given for this requirement is that if the director has an ownership interest in the corporation, as evidenced by such shares of stock, then that director is more reasonably expected to have an on-going interest in the affairs of the corporation.

The Division of Banks has been requested to give its opinion as to whether the statutory test of owning stock "in his own right" is met by a director when title to the stock is held in joint name, in trust or in nominee name.

In Joint Name - In a joint account the real interest of each party is the value which each party is entitled to receive on dissolution of the account. That interest is generally determined by the amount of a party's contribution. Accordingly, if a director's contribution to ownership of such stock in joint name was equal to the amount necessary to own common stock having a par value, or a fair market value on the date the party became a director, of not less than one thousand dollars, then such ownership, even though in joint name, will qualify as "in his own right" for the purpose of this statute.

In Trust - Shares deposited by a director in an inter vivos trust of which the director is a trustee would qualify as "owned in his own right" provided that the director retained an absolute power of revocation over the trust. Unless the power of revocation is expressly reserved the inter vivos trust would be irrevocable. An affidavit to that effect should satisfy however if doubt exists an examination of the trust instrument would be in order.

In Nominee Name - If the number of shares required for qualification by this section are purchased by a director and subsequently put in nominee name, such action will qualify as ownership by the director "in his own right". A director holding shares in such manner should realize that such ownership is not indicated on the corporate records and therefore may require verification.

Although the statute further requires that a director take an oath that the required shares are owned "in his own right" and that a record of that oath be made part of the records of the corporation, a director may be asked to submit an affidavit as to compliance with this statute for review in conjunction with an examination.

Paul E. Bulman

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 84-6

July 28, 1984

Co-Operative Banks
(Chapter 170, Section 19)

Opinion
Relative to

Loans to Officers
of a Co-Operative Bank

The Division of Banks has been requested to give its opinion as to whether the term "officer" includes a member of or the chairman of the board of directors in a co-operative bank as such term is used in Section 19 of Chapter 170 of the General Laws governing loans to officers of such a bank.

Prior to the recodification of the banking laws, by Chapter 155 of the Acts of 1982, an officer in a co-operative bank was not subject to statutory limitations on the amount that could be borrowed from that officer's bank. Since 1974 a co-operative bank, however, has been required by statute, see former Section 42A, to report annually to the Commissioner any loan or extension of credit to any officer or director.

As with any question relative to the construction of a statute the inquiry must begin with the language of the act itself. Section 19 of the recodified co-operative bank laws consists of three paragraphs the last two of which are identical to the reporting requirements added in 1974 and continue to apply to loans to a director

The first paragraph, added by the recodification, provides "No officer of a bank shall, except as hereinafter provided, borrow from or otherwise become indebted to the bank of which he is an officer, and no bank shall, except as hereinafter provided, make any loan or extend credit in any other manner to any of its own officers". The statute then provides that a loan to an officer can be made subject to prior approval of the board, specified dollar limitations and a prohibition on the granting of preferential terms. The recodification of the banking laws was done in conjunction with equalizing the powers among savings banks, co-operative banks and trust companies. In this matter, however, that equalization process did not raise the statutory power to the highest authority then existing among those institutions. The restrictive language of this paragraph was taken directly from trust company law, see former Section 18 of Chapter 172, and is somewhat similar to provisions of savings bank law, see former Section 19 of Chapter 168. Accordingly, the inclusion of a director in the definition of "officer" for this provision of co-operative bank law should turn on whether a similar class of managment was governed by those other statutes.

Since the trustees of a savings bank and the directors of a trust company are not generally prohibited or restrictred in borrowing from their bank by applicable statutes and those positions are of a similar class of management as directors in a co-operative bank it is the opinion of this Office that a member of or the chairman of the board of directors in a co-operative bank is not prohibited or restricted in any such borrowing by the provisions of the first paragraph of Section 19. However, to the extent that any director holds another position and in that capacity is an officer of the bank as that term is defined in the institution's by-laws then that director as such an officer would be subject to the limitations in this statute.

Paul E. Barbano

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. #84-7

State-Chartered Institutions
(209 CMR 2:00)

August 10, 1984

Opinion
Relative to
Regulations Governing
Group Life Insurance and
Group Accident and Health Insurance

This Office has been asked for an advisory ruling on the following matters pertaining to the above referenced regulations:

1. May banks receive expense reimbursements for administering a group creditory life insurance plan other than from a dividend or premium refund declared at the end of a policy year?

ANSWER: Yes. Assume that an institution is paying a premium of thirty-five cents to the insurance company. The institution may receive an expense reimbursement of 20% of an assumed fifty cents per hundred dollars of coverage premium or ten cents. The institution may assess the consumer forty-five cents per one hundred dollars (35¢ premium plus 10¢ reimbursement), remit thirty-five cents to the insurance company and retain ten cents expense reimbursement.

2, May a bank receive a 5% premium collection fee as provided for in Chapter 175, Section 164, in addition to other reimbursement for expense?

ANSWER: A bank may only collect reimbursement for expense as provided for under the regulation, 209 CMR 2.00.

3. Must a bank accept the lowest bid it receives on each type of credit insurance?

ANSWER: Yes, if the company is rated "A" or better.

(a) Must bids for Credit Life and Group Accident and Health be calculated separately?

ANSWER: Yes.

4. May a bank purchase Group Credit Life Insurance for its debtors through a policy issued to an out-of-state group trust which does not comply with the statutory provisions of Chapter 175, Section 133(c) and Chapter 255?

ANSWER: No.

(a) May a bank sell coverage through individual policies rather than group?

ANSWER: No.

5. Does regulation 209 CMR 2.00 apply to Group Credit Insurance which is paid for by the creditor?

ANSWER: No.

6. What is the effective date of the regulations?

ANSWER: The effective date of the regulations is the date they were published, May 10, 1984. The provisions are applicable to all new contracts entered into on or after August 8, 1984 and to any contract in existence on May 10, 1985.

Paul E. Bulman

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 84-8

All Lenders
(Chapter 255, Section 13L)

August 31, 1984

Opinion Relative to The Refunding of Points Upon Prepayment in Non-Mortgage Consumer Loan Transactions

This Office has been asked for its opinion relative to the following specific matters.

1. Is the use of "points" (prepaid finance charge) in addition to an interest rate per annum an acceptable method of financing loans under Massachusetts law?

Section 63 of Chapter 183 of the Massachusetts General Laws prohibits the charging of points in most mortgage transactions involving owner-occupied residential property of four units or less except to the extent such a charge constitutes reimbursement for reasonable originating or underwriting expenses, as determined by the commissioner, (see Administrative Bulletin 13-5) and reimbursement for any commitment or other fees paid or to be paid for the intended purpose of selling loans in the secondary mortgage market.

No such statutory prohibition exists for consumer credit transactions other than mortgages. Accordingly, points may be charged in such a transaction, however, such a charge must be included in the Annual Percentage Rate (APR) and may not elevate the APR above any maximum lawful rate.

2. Assuming that "points" are acceptable must a portion of those points be refunded in the event of prepayment of a loan?

Section 13L of Chapter 255 of the Massachusetts General Laws, governing the prepayment of certain loans for personal, family or household purposes, requires that the borrower, upon prepayment, receive a refund of the precomputed charges based on either the sum of the digits method or the actuarial method depending on the length of the original contract. The issue of refunding a portion of any point assessed will be determined by whether a point is a "precomputed charge". Unlike other statutes which require the refund of a "finance charge" and provide a definition of such a charge neither this section of law nor other related statutes define the term "precomputed charge". However, for the purposes of this statute the Division of Banks has consistently interpreted that term to include any amount that is known in advance. The assessment of a point is an amount known in advance and thus is a precomputed charge. As such, it is subject to a refund upon prepayment of the transaction.

Paul E. Sullman

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 84-9

September 19, 1984

Banks, Federally - Chartered Banks And Persons, As Defined (Chapter 167D, Section 34)

Opinion Relative To Maintaining The Telephone Service Required By Chapter 222 of the Acts of 1984

This Office has been asked for its opinion on the following matters relative to Chapter 222 of the Acts of 1984.

1. Classes of Institutions and Businesses Subject to the Act.

The question has been raised as to the scope of Chapter 222, and how it would be applied to non-banking institutions.

The statute applies to "every bank, federally-chartered bank or person . . ."
"Bank" is defined in Section 1, Chapter 167D of the General Laws as "a savings bank, co-operative bank or trust company incorporated as such in the commonwealth."

"Federally-chartered bank" is defined in that same section as "a national bank association, a federal savings and loan association, a federal savings bank or a federal credit union authorized to do business in the commonwealth."

"Person" is defined in Section 7 of Chapter 4 of the General Laws as including "corporations, societies, associations and partnerships."

It is the opinion of this Office that the scope of the statute is all inclusive and applies to all those individuals-entities, without exception, who advertise to the public relative to any deposit or credit account or the sale of any security.

2. Types of Telephone Service Required.

The question has been raised as to whether or not a bank is required to establish a separate telephone line to comply with the statute.

In our opinion a bank or person need not establish a separate line in order to comply with the statute. A bank or person would be able to provide a general telephone line or service and refer inquiries on rates, fees and related items to the appropriate customer service representatives. Some banks or persons, however, may establish a separate line or alternatively may even use a recorded message which could provide this general information.

3. Operating Hours of Service.

The question has been raised whether the service must be maintained only during normal business hours when the main office is opened. It is argued that to require that the service be available evenings or Saturday mornings when a bank is open primarily for check cashing and deposit purposes is an unfair burden to place upon a bank.

In our opinion the statute is clear and unequivocal. It requires that the telephone service be "available during any hour that any of its offices are opened for business." That requirement is in effect even if the office is open only for a limited time or purpose. The ready availability of a recorded message service would eliminate any burden associated with complying with the statute during times when the "main office" may not be open for full service.

4. Accession of Personal Accounts and Applying for New Accounts

The question has arisen whether the statute limits the authority of banks and other businesses to provide other information, such as personal account information, or information relative to new accounts, to a customer requesting it by phone.

The provisions of Chapter 222 do not, in any way, limit a business's general ability to provide whatever information by telephone it chooses to make available. The Act, however, specifically prohibits the telephone service maintained to comply with this statute from being used to access personal account information or to apply for or obtain a new account or extension of credit or to purchase any security. The prohibition on new accounts, sales or obtaining credit were contained in the original petition while the prohibition on accessing personal information was specifically added by the Legislature. Therefore, it is the opinion of this Office that inquiries of a nature prohibited by this statute must be transferred or referred to another service representative or to a separate line or extension.

5, Penalties, Enforcement

As enacted, Chapter 222 does not presently spell out any penalty for non-compliance, nor does it provide for any procedures which could be used by the Commissioner in enforcement of the statute against non-banking related institutions. The question has thus been asked how enforcement will be handled and what penalties may be imposed.

As to those institutions which come within the direct jurisdiction of this Office the Commissioner will exercise those powers and impose those penalties granted him under the general banking stautes to enforce the General Laws of the Commonwealth.

Any violations of Chapter 222 by institutions not subject to our jurisdiction will be referred to the Office of the Attorney General where appropriate.

Paul E. Buleman

MASS. AF24.8:85-1

The Commonwealth of Massachusetts

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OFFICE OF THE COMMISSIONER OF BANKS

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Reference #25-1
October 3, 1985

State-Chartered Banks
Federally-Chartered Banks

Chapter 167, Section 21

Guideline Relative To The Temporary, Non-Mandatory Closing of Bank Offices

Section 21 of Chapter 167 of the General Laws sets out three separate and independent authorities by which both state-chartered and federally-chartered banking institutions may choose to close their banking offices due to various circumstances. The powers contained in the section are vested in the Governor, the Commissioner and the officers of each such institution. In each instance the final determination to close, however, rests with the bank itself. That determination process was facilitated by a 1979 amendment which eliminated the need for prompt notice to the Commissioner when closing an office. This guideline not only applies to those weather-related situations which affect the Commonwealth on a statewide basis but also to all localized situations involving businesses in general or particular offices of any single bank. It has been established in order to clarify in writing and in advance of any future applicable situation the policy of this Division relative to such closings. Having issued this guideline the Division believes it is now incumbent on each institution to advise the appropriate personnel of the decision making process within that bank and the manner in which any decision to close will be disseminated throughout the bank's branch system. The establishment of such a process and information network will eliminate calls to this Office at a time when phone lines may be needed primarily for emergency purposes as well as at times when the staff of this Division may be required to remain at home or, for safety reasons, are prevented from entering state office buildings. The Division strongly encourages each institution to maintain copies of this guideline in each of its places of business along with the names of the bank officers designated to make a decision to close. The guideline is stated below.

> For weather-related circumstances affecting the Commonwealth in general, the Division of Banks <u>will not issue</u> a public announcement, separate from the Governor, authorizing banking institutions to close their offices. Accordingly, banks considering such a closing should listen for and conform to any proclamation by the Governor requesting the people of the Commonwealth to close their places of business. Banks are also advised that it is the firm position of this Office that the authority in section 21 for the officers of a bank to close their business offices when "conditions exist which pose an existing or imminent threat to the safety

or security of bank personnel or property generally" includes, among other things, weather-related situations. Therefore, banks may rely on that authority alone to make such a decision. Institutions are further advised that the statute provides that any day in which an office is so closed shall not be considered a business day and acts may be performed on the next succeeding business day without liability or loss of rights regardless of whether the decision to close is requested by the Governor, the Commissioner or made by the officers of the bank. Any bank making such a decision is reminded of the statutory requirement to enter the cause and time of such closing in the records of the next meeting of the appropriate board. The authority to re-open offices is also set out in this statute.

For all other circumstances addressed by the statute whether such circumstances affect only parts of the Commonwealth, banks in general or an office or offices of a particular institution, the same policy will apply. This Division would be hard pressed to find a situation posing "an existing or imminent threat to the safety or security of bank personnel or property generally" which did not justify an officer's decision to temporarily close an office to the public. Although the Division appreciates being informed of local conditions affecting an institution, it wishes to emphasize that the safety of personnel may be obtained and property made secure without prior approval or notice to this Office.

If a decision to close is made in advance of an approaching situation covered by the statute, adequate notice to the banking public should be posted at each office.

Section 21 pertains to non-mandatory closing of banking offices. It should be noted that other laws authorize the Governor after declaring a general state of emergency for any disaster to subsequently issue specific orders to regulate, among other things, the closing and openings of all businesses, including banks. Additionally, the Governor may declare a banking emergency when the banking system is at risk and thereby may order, through the Commissioner, that banks be closed. Those emergency powers referred to above are set out, respectively, in special Acts of the Legislature which became law as Chapter 639 of the Acts of 1950, providing for the safety of the Commonwealth during the existence of an emergency resulting from disaster or from hostile action, and Chapter 59 of the Acts of 1933 relative to banking emergencies.

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The Commonwealth of Massachusetts

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Opinion Relative To The
Board of Directors
of the
Massachusetts Credit Union Share
Insurance Corporation

Reference No. 85-2
September 19, 1985

(Chapter 294, Acts of 1961
as amended)

Chapter 294 of the Acts of 1961 established the Massachusetts Credit Union Share Insurance Corporation (Corporation) to insure the shares and deposits of state-chartered credit unions. The advent of share insurance from the National Credit Union Administration (NCUA) and other changes has resulted in the statutory expansion of eligible membership in the Corporation as reflected in the Act's defined terms of "Member", "Regular Member", "Inactive Member", and "Excess Member". The present movement throughout all state-chartered thrift institutions to obtain federal deposit insurance has raised novel questions relative to a director on the Corporation's board who was elected from a credit union which becomes insured by NCUA. Under existing statute the Corporation's board consists of fifteen directors, eleven of whom are elected from member credit unions and four of whom shall have no affiliation with any financial institution. All directors are elected for a three-year term and hold office until their successors are qualified. Vacancies on the board are to be filled by the directors until the next annual meeting.

Questions raised under current statute in conjunction with the on-going acquisition of NCUA insurance include whether a vacancy on the board is created at the time the director's credit union becomes insured by NCUA or may that director continue to serve until the term expires; may the same director continue to serve if his credit union also becomes federally chartered; and may such a director of the Corporation from a credit union which becomes federally insured and/or federally chartered seek re-election? The changed status of credit unions from which existing Board members were elected has resulted in the need for these questions to be resolved.

The present framework for membership in the Corporation and on the board was established by a 1982 amendment to the Act. The six sections of that 1982 statute authorized the various membership categories and established the incidences of such memberships; added the positions for the four outside, nonaffiliated directors as well as made changes to the assessment authority of the Corporation. The drafting of that statute, its retention of prior provisions unrelated to the above-cited changes and the specific definitions inserted into the Act provide a clear statutory answer to the question raised relative to eligibility for re-election to the Board. As provided in the Act, directors of the board are to be elected by the delegates from member credit unions. Analysis of the several membership categories and applicable sections of law determines that a member credit union, as that term is defined, describes a state-chartered credit union which is not insured by NCUA. Accordingly, it is the opinion of this Office that only a person from such a credit union is eligible for election to a new term on the board.

As definitive as the Act and its subsequent amendments have been on the election of directors, this Office finds the Act completely silent as to what constitutes a vacancy on the board and if such a vacancy is created by a change in membership status of a director's credit union. On this issue of changed status the credit union statute, in comparison to the insurance funds created by special Acts for savings banks and co-operative banks, must be deemed incomplete. A similar conclusion was reached by the Supreme Judicial Court of Massachusetts in United Employees Credit Union v. Massachusetts Credit Union Share Insurance Corporation. 380 Mass. 398, 403 N.E.2d 408 (1980). In that case the issue was the return of assessments after United became insured by NCUA. Upon reviewing the applicable provisions controlling that situation in the other insurance funds for state-chartered banks the Court stated that such legislative precedents suggest rational solutions to the questions then raised. However, as to the Act creating the Corporation the Court concluded that "The governing legislation simply fails to provide a basis for fashioning the governing rule." Id. at 402, 403 N.E.2d at 411. Rather than remand the case for the lower court to make an equitable apportionment the Supreme Judicial Court preferred "to take the broader ground that the problem is legislative rather than judicial." Id. at 402, 403 N.E. 2d at 411. This Division feels compelled to take that same ground on the issues relating to the effect on a director's present term on the Board when the status of that director's credit union changes. The proper forum for the Corporation to obtain permanent resolution of those issues is the Legislature.

While strongly encouraging the Corporation to have the Legislature address these issues during its current session the Division recognizes that such a resolution may not be immediately forthcoming and that the present board is continuously confronted by these issues. Accordingly, this Division suggests that until the Act is amended the Board should exercise its existing statutory authority to adopt such rules and regulations as necessary to effect the purposes of the Act. As provided in section 4 of Chapter 294 any such regulations must be approved by this Office before becoming effective. This Office would look favorably upon any such provisions which fairly and reasonably addressed the issues involving the changed status of a director's credit union while the legislative process is initiated. This temporary resolution would allow the board to get beyond this internal conflict and focus its time and effort on those matters solely within its responsibilities. In suggesting this temporary solution it is the firm belief of this Office that in the drafting of those rules each director will offer alternatives and vote for provisions consistent with his or her duties of diligence, loyalty and due care to the Corporation which are inherent in the positions they now hold.

Paul E. Buhman

mass. AF 24.8: A65/ref. 85-3

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 85-3
September 25, 1985

State-Chartered Institutions
Chapter 167F, Section 2
Paragraphs 16 and 17
209 CMR 2.00

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Opinion
Relative to
The Retention of Premiums Collected for
Group Life Insurance and
Group Accident and Health Insurance

The Division of Banks has been requested to give its opinion as to whether a bank, regulated by this Division and subject to the provisions of 209 CMR 2.00, may receive a cost of administration of twenty percent of an assumed fifty cents per one hundred dollars of coverage premium and also receive the benefit of a premium "drag" account.

A premium "drag", so-called, occurs, in the purest form, when the insurance company allows the bank to retain the credit insurance premiums collected and to do so in a non-interest bearing account. Usually the arrangement is for the bank to keep the first year's premiums and to pay over the first month's premium at the end of the thirteenth month, the second month's premium at the end of the fourteenth month, and so on. The obvious result of any such arrangement is that the bank always has use of twelve months or some other portion of the insurance company's premium. A further benefit to the bank is that the company may allow the bank to keep the premiums in accounts which pay the insurance company little or no interest.

The promulgation of 209 CMR 2.00 affected both the retention of premiums and financial benefit aspects of any such "drag" account arrangement. Section 2.04 specifically addresses the maintenance of proper accounts for credit insurance premiums as well as the segregation of unremitted funds due the insurance company. Moreover, Clause (3) of that section mandates that premiums be forwarded by the bank no later than sixty days after receipt. Any practice or arrangement attempting to allow a bank to retain premiums for a longer period would violate these regulations.

Clause (2) of Section 2.01 establishes and defines the "Cost of Administration" as such term applies to both Group Life and Group Accident and Health Insurance. In each instance such a charge may not exceed twenty percent of an assumed fifty cents per one hundred dollars of coverage premium. Additionally, that section specifically states that such cost of administration "shall be the only financial benefit which an accrue to the bank". Accordingly, it is the opinion of this Office that any benefit accruing to a financial institution, such as through the use of a premium "drag" account in any form, must be used in the calculation of the maximum cost of administration provided for in 209 CMR 2.01.

Paul E. Bulman

MASS. AF24.8:85-4

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

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Reference No. 85-4

October 2, 1985

Open-End Creditors

Chapter 140, Section 114B

Chapter 140D, Section 20

Chapter 183, Section 63

Opinion Relative To Balances and Points In Open-End Credit Plans

Chapter 489 of the Acts of 1984 contained significant amendments to the applicable laws governing open-end credit plans in addition to establishing a Truth-in-Savings Law. The provisions of that Act affecting open-end credit had two separate and distinct thrusts and amended two different sections of law. The first change amended section 114B of Chapter 140 of the General Laws to establish a mechanism whereby the existing maximum interest rate of eighteen percent could be exceeded. The second change amended section 20 of Chapter 140D of the General Laws, the Truth-in-Lending Law, to eliminate the free period, so called, whenever a balance exists at the start of a new billing cycle. Questions have been raised to this Office as to the application and ramifications of the language contained in each amendment.

Section 20 of Chapter 140D deals with the computation of finance charges under certain open-end credit plans and states in pertinent part:

> "If a finance charge is imposed under an open-end credit plan on balances resulting from the sale of goods or services at retail made in reliance on a credit card, the finance charge applicable to said balances for any cycle shall be computed on . . . provided, however, that no finance charge may be computed on any new sale reflected for the first time in the account during the billing cycle if there was no balance outstanding in the account at the beginning of the billing cycle. . . ."

The Division has been requested to give its opinion as to whether the word "balance" which is underlined above refers solely to a balance resulting from the sale of goods or services at retail or does it refer to any balance regardless of how it arises under such an open-end credit plan.

Although the term "open-end credit" covers a myriad of products, section 20 applies only to those plans transacted by use of a credit card. The 1984 amendment to the free period was specifically drafted so that change would not apply to revolving credit agreements, primarily retail store credit cards, which are governed by Chapter 255D of the General Laws. Therefore, the recent amendment affects only those credit cards issued by banks. Unlike retail store cards, bank credit cards have a dual capability. Such a card provides the holder with the power not only to purchase goods or services but also to obtain cash advances. Thus, under an open-end credit plan evidenced by a bank card, an individual could generate a balance from purchases, cash advances or a combination thereof. In construing a statute it is the duty of this Office to ascertain and implement the intent of the Legislature. When the language of the enactment is clear and unambiguous this Division must look to the statute itself and interpret it according to the usual and natural meaning of its language. This Division believes that the language of section 20 states clearly and unambiguously that the free period applies only if there was "no balance outstanding" at the beginning of the billing cycle. The plain meaning of those words must be given their full effect. Accordingly, it is the opinion of this Office that if any balance exists, regardless how it arises, then the free period is eliminated on purchases first appearing in subsequent billing cycles.

The amendment to the interest provisions of the open-end credit law requires this Office to determine as of the first of March, June, September and December a quarterly index rate as calculated by doubling the average of the rates established and announced as the auction average on a discount basis of United States Treasury bills with maturities of ninety-one days at the auctions held during the three calendar months preceding the above computation dates. Under the provisions of the amendment, if the index rate computation exceeds 18% then open-end credit grantors may set their own rate above 18% for the three-month period beginning one month after the computation date. As indicated previously, the term open-end credit covers a number of products, including home equity loans secured by a lien placed on the property. The nature of that transaction has resulted in this Office being asked if such an open-end credit plan is subject to the statute, section 63 of Chapter 183, and guidelines of this Division, Administrative Bulletin 13-5, governing the charging of points or similar fees in certain residential mortgage transactions. The issue is raised due to an exclusionary provision in section 63 which provides that the statute is not applicable to ". . . loans subject to government imposed interest rate ceilings, as determined by the Commissioner."

In reviewing the provisions of the applicable statutes, the Division is persuaded by the fact that open-end credit plans, even after the recent amendment, remain subject to the statutory provisions of section 114B of Chapter 140 and the quarterly rate mechanism contained therein. Accordingly, this Office determines that open-end credit plans which are secured by mortgages on residential property of four or less units and occupied or to be occupied in whole or in part by the mortgagor are not subject to the provisions of section 63 of Chapter 183 or the guidelines of this Division issued pursuant to that statute.

Paul E. Bulman

MASS. AF24.8: 465

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Opinion

Relative To The

Sale And Purchase of Loans

By A State-Chartered Credit Union

To Another Such Credit Union

GOVERNMENT DOCUMENT COLLECTION
DEC 30 1985
University of Massachusetts
Depository Copy

85-5
November 29, 1985

Credit Unions

(Chapter 171-
section 21C
section 24, subdivisions
A to G, inclusive.)

The Division has been asked for its opinion relative to the authority of a state-chartered credit union to purchase loans from another such credit union. Although the statute in question covers the sale, transfer or assignment of any and all of a credit union's loans, investments or other assets, the issue is framed regarding loans since loans are fundamental to the business of a credit union; market conditions are such that a transaction, if permitted, would be beneficial to appropriate credit unions on each end of the agreement; and there appears to be a conflict with related loan statutes all of which existed prior to the passage of the law governing the sale of assets.

It is not uncommon for issues to be raised by the statutory construction of Chapter 171 governing credit unions. The different statutes controlling each of the other types of state-chartered institutions have all been recodified at least twice in the last thirty-five years. Chapter 171, however, has had no such process to realign and coordinate its provisions in almost sixty years.

Numerous, singular, enabling amendments enacted over such a large span of time are likely to and have resulted in gaps in statutory provisions. In construing this chapter and other provisions of law, this Division has consistently stated its intent to interweave provisions to compose as far as feasible and reasonable a coherent whole faithful to the purposes of the Legislature. The issue at hand turns on this Division's view as to whether a certain provision is to be deemed merely a restrictive, procedural clause or a provision containing both enabling authority as well as procedural requirements. It is the conclusion of this Office that the latter reading is correct.

In 1980 the Legislature inserted into Chapter 171, section 21C by passage of Chapter 79 of the Acts of that year, An Act Authorizing A Credit Union To Sell, Transfer And Assign Any And All Loans, Investments Or Other Assets. At that time and continuing today, Chapter 171 is viewed as a restrictive statute such that, generally, a credit union would have authority only to the extent it is expressly stated in that law. In that light, section 21C clearly was inserted as an enabling statute. The specific question before us is whether clause (d) of that section which states "no loans, investments or other assets shall be sold, transferred or assigned to another credit union chartered in the commonwealth without the prior written approval of the Commissioner" should be deemed as also authorizing that other state-chartered credit union to purchase any loans, regardless of the type of loan being sold.

A separate provision, section 24 of Chapter 171, generally contains the loan authority granted a credit union. That section establishes the various classes of loans authorized and sets out a credit union's ability to make, acquire or participate in any specific class of loan. Those classes, as set out in the seven subdivisions of that section, authorize from personal and real estate loans to mobile home and open end credit loans. Only in subdivision B, however, governing real estate loans and more specifically first and second mortgages and condominium loans, is there express authority for a credit union to acquire loans of that

class. It is that construction of section 24 which raises questions as to the extent of the authority intended by the language added by section 21C.

The Division is reluctant to view the intent of the inclusion of clause (d) in section 21C for the sole purpose of regulating the sale and purchase between state-chartered credit unions of only one of seven classes of loans particularly when that one class had previously been unregulated. The Division takes the broader view that consistent with the permission granted a credit union by section 21C to sell, transfer or assign any and all of its loans, investments or other assets, clause (d) authorizes a credit union, with prior written approval of this Office, to enter into any such transaction with another state-chartered credit union and in conjunction with that authority to sell, also authorizes, by implication, the purchase of loans by that other credit union irrespective of the lack of any express authority in the related subdivision of a separate statute, section 24. In brief, it is the opinion of this Division that section 21C is an enabling statute and, in this case, as the later enactment it overrides any gap which results when clause (d) is considered with a related but previously existing section applicable to loans.

The opinion stated above applies to all acquisitions of loans by purchase between state-chartered credit unions. Accordingly, the sale of first or second mortgages and condominium loans from one state-chartered credit union to another must meet the requirements of section 21C. However, participation loans, as such transactions are governed in subdivision B of section 24 by paragraph 6 of subsection (a) for first mortgage loans and by paragraph 13 of subsection (b) for condominium loans, are not subject to section 21C. Moreover, a credit union seeking the prior written approval of the Commissioner for a sale, transfer or assignment to another state-chartered credit union should inform this Office that the general provisions of section 21C have been met as well as the applicablility, if any, of clauses (b) or (c) of that section.

Paul E. Suelmann

MAS AP-24.8-86-1

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Ref. No. 86-1
March 15, 1986

Massachusetts General Laws
Chapter 167E, Section 2(B)(10)
Chapter 183, Section 60

OPINION RELATIVE TO ADMINISTRATIVE BULLETIN 13-2C (REVISED) ENTITLED "MEMORANDUM ON ADJUSTABLE RATE MORTGAGE LOANS" REISSUED MARCH 15, 1986, EFFECTIVE APRIL 7, 1986

The Division of Banks' guidelines on adjustable rate mortgage loans (ARM guidelines), found in Administrative Bulletin 13-2C, generated several inquiries. The March 15, 1986, revisions to the ARM guidelines answered most of the questions received by the Division. The remaining questions concern interpretive issues on specific guideline provisions. These issues include introductory discounts, private mortgage insurance, cost disclosures, and loan premiums.

Questions have been raised about what initial rate setting prohibitions and procedures are intended by the guidelines. Section (1.01) of the guidelines indicates that it is not the intent of the guidelines to pre-determine any particular time that the interest rate is set. Section (1.05) of the guidelines specifically permits the setting of an initial interest rate below the fully-indexed rate. Section (5.01) does not require the rate to be set at application, but requires that if set later, then the method by which the rate will be established and the time it will be established must be set at the time of application. Appendix A of the guidelines is included as a sample of the mortgage product description sheet required in Section (6.04). It demonstrates how this sheet could be modified for an institution that sets their rates at some time after application. The guidelines are less specific with regard to the lender's ability to set rates based on market conditions, rather than on a formula using a fixed discount. The guidelines intend only to prohibit price setting in a way and at a time that is arbitrary. Arbitrariness includes the setting of the interest rate in a way and/or at a time not disclosed to the borrower at application. If a rate is committed at application for a length of time known to the borrower, it is not material how the lender arrives at that initial rate. In the case of rates committed subsequent to application or in the case of establishing a rate replacement procedure for borrowers who fail to close their loan before their rate commitment expires, it is material that borrowers be informed at application exactly when and how the initial

rate will be established. This method should be based on information readily available to the general public and/or on information provided to the borrower at the time of application. The rate may, if desired, be based on the then-current market rate being committed for new applications. If a lender offers several interest rate setting options, the choice must be the borrower's.

Private mortgage insurance is not a separate loan product under the ARM guidelines because it is not a variable under Section (5.01). See Sections (1.00)-(3.00) for examples. Additionally, such mortgage insurance is required by statute for certain mortgage loans. The variability in costs for mortgage insurance makes uniform or precise price quotations difficult; however, the cost of any required private mortgage insurance should be disclosed. An estimated price range for the cost of mortgage insurance may be shown on the mortgage product description sheet.

Advice on the proper way to prepare a mortgage product description sheet when a lender is offering various rate-lock options at application has also been sought. Specifically, questions have been asked about whether product and rate information must be contained on one sheet. The guidelines specifically allow for modifications of the suggested format. Lenders are encouraged to experiment with various ways of disclosing product and price information to find a format that best suits their offerings and the consumer's need for complete and accurate information.

The final issue raised is whether the ARM guidelines preclude a lender from imposing a one-time, introductory "premium rate". This rate would be greater than the interest rate determined under Section (1.01) of the guidelines (the sum of the index plus the margin). No such charge is either intended or authorized by the guidelines. The margin is the only means for a lender to adjust the initial loan rate. All margins are subject to Section (1.03).

Administrative Bulletin 13-2C, as reissued, is effective April 7, 1986.

Paul E. Bulman
Commissioner of Banks

MASS. AF24.8:87-1

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

GOVERNMENT DOCUMENTS
COLLECTION

APR 27 1987

University of Massachusetts
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Reference No. 87-1

April 8, 1987

Massachusetts General Laws
Chapter 167E, Section 2,
Subsection B, paragraph 10
All state-chartered banks and
credit unions.

Opinion
Relative to
Administrative Bulletin 13-2C (Revised)
Entitled Memorandum on Adjustable Rate Mortgage Loans
Reissued on March 15, 1986

The Division of Banks is in receipt of a request seeking authorization to offer an adjustable rate mortgage loan product which contains a new loan design component. Due to the nature of the request, the Division's response is being directed to the industry.

This proposed product has been reviewed under General Laws Chapter 167E, Section 2,Subsection B, paragraph 10 and the Commissioner of Banks' Memorandum on Adjustable Rate Mortgage Loans (ARM Guidelines) found in Administrative Bulletin Reference No. 13-2C (Revised) reissued on March 15, 1986. The ARM Guidelines apply to adjustable rate mortgage loans made or acquired by state-chartered financial institutions for the purpose of financing or refinancing the purchase of certain owner-occupied dwellings.

The proposed new adjustable rate mortgage loan design component is a hybrid. It combines the features of a fixed rate mortgage loan with those of an adjustable rate mortgage loan. The loan product is a 30 year loan having an initial period of seven years with a fixed rate of interest set in relation to market rates. Thereafter, the rate would be adjusted at three-year intervals based upon an identifiable regional or national index plus a margin which is specified in the mortgage note. All other aspects and features of the proposed adjustable rate mortgage loan would conform to existing ARM Guideline requirements.

The Division has examined whether the proposed loan design component conflicts with any ARM Guideline provision and whether it would benefit consumers. The only potential conflict is presented by Section 3.02 of the ARM Guidelines. This section states that adjustment intervals "... should be of equal length ...." The proposal initially appears to contravene this provision. Section 3.02, however, is not phrased in mandatory terms. Consequently, it is the Division's position that Section 3.02 does not prohibit an initial adjustment period that is greater or less than successive interest rate adjustment intervals.

Allowance of the cited loan design component would permit the development of a new adjustable rate mortgage loan product. This loan product offers potential benefits to the consumer. It would give the consumer a previously unavailable intermediate choice in mortgage loan products. Such a program may appeal to a number of people, including first-time homebuyers, who are seeking the advantages of a fixed rate mortgage but who do not qualify under secondary mortgage market standards for long-term fixed rate mortgage loans.

Other considerations also weigh in favor of the proposal. The ARM Guidelines are not intended to restrict the development of new adjustable rate mortgage loan products or design components. Moreover, a similar loan product is already being offered to consumers by national banks under guidelines of the Comptroller of the Currency.

Therefore, the Division of Banks hereby authorizes state-chartered financial institutions to offer adjustable rate mortgage loan products containing a combined fixed and adjustable rate loan design component. This loan design component may have a market-driven, fixed rate initial adjustment interval that is longer than subsequent adjustment intervals. All subsequent adjustment intervals, however, must be of equal length. The interest rate for subsequent adjustment intervals shall be set equal to the preselected index and margin contained within the mortgage note in accordance with Section 3.00 and other applicable sections of the ARM Guidelines.

Andrew J. Calamare
Commissioner of Banks

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 88-1
May 16, 1988

Massachusetts General Laws
Chapter 140D, section 15A
Chapter 140D, section 3(b)
All Card Issuers Under
Open End Credit Plans

Opinion Relative to Certain Open End Credit Plan Disclosures Under Chapter 595 of the Acts of 1987

The Division of Banks has received numerous inquiries regarding compliance with certain additional consumer credit disclosures mandated by Section 2 of chapter 595 of the Acts of 1987. Due to the recurring nature of these inquiries, the Division's response is being directed to the consumer credit industry at large.

Section 2 of Chapter 595 amends the Massachusetts Truth-in-Lending Law, General Laws, chapter 140D, by inserting a new section 15A. This new section mandates specific additional disclosures on open-end credit plan applications and pre-approved written solicitations which are mailed or distributed on or after July 1, 1988, on behalf of credit card issuers to Massachusetts residents. The statute requires the following information to be prominently disclosed on such forms in easily understood language: the current annual percentage rate for finance charges and, if the rate may vary, a statement to that effect and of the circumstances under which the rate may increase and whether there are any limitations on any such increase; as well as the effects of any such increase; the conditions under which a finance charge may be imposed, including the time period within which any credit extended may be repaid without incurring a finance charge; whether any annual fee is charged and the amount of any such fee; and whether any other charges or fees may be assessed, the purposes for which they are assessed, and the amount of any such charges or fees.

The statute also permits card issuers to voluntarily submit examples of their applications, solicitations and advertisements for review by the Division. Approval by the Commissioner constitutes prima facie evidence of compliance with the disclosure provisions of General Laws chapter 140D, section 15A. It is this review and approval process, however, that has generated current industry inquiries.

The industry's questions generally center on what constitutes a suitable format for the information required to be disclosed by General Laws chapter 140D, section 15A. No particular format or model is either suggested or provided by the statute. The only specific requirement, however, is that the required information be "prominently disclose[d] in easily understood language". This is the general standard by which the Division will review all proposed forms and disclosures submitted under General Laws chapter 140D, section 15A. Any individual form, regardless of format, which meets this standard will be approved. Nevertheless, a certain degree of confusion has been expressed on how to design a form which meets this standard.

The Division has designed the attached disclosure format, which is fashioned after the federal truth-in-lending box format, as an informal guide. It may be adapted by a card issuer and may be individually submitted to the Division for formal review and approval under General Laws chapter 140D, section 15A. The Division will attempt to process and approve adapted forms on an expedited basis.

Another recurring question concerns the method by which the "current annual percentage rate for finance charges" is disclosed under variable rate open-end credit plans. Stating the "current" APR under a variable rate open-end credit plan is an often elusive task. The relatively frequent finance charge rate changes inherent in such variable rate credit plans makes long-term compliance with the application disclosure provisions of General Laws chapter 140D section 15A extremely difficult. This difficulty is most apparent in those instances where the APR finance charge rate under a variable rate open-end credit plan changes subsequent to the card issuer's publication and distribution of application forms and solicitation materials. The Division, however, believes that this situation can be addressed by providing certain additional information on the application form. The disclosure for such variable rate open-end plan must state the current APR as it exists on the date the particular application form was printed and distributed. A card issuer, however, should further disclose the date that such an APR rate was calculated, the length it will remain in effect, and, a toll free telephone number where the applicant can obtain updated APR finance charge rates. A card issuer supplying this additional information will be in compliance with the current annual percentage finance charge disclosure requirements of General Laws chapter 140D, section 15A for a variable rate credit plan.

ATTACHMENT

The following format must appear on the application form, or be physically attached thereto.

ANNUAL PERCENTAGE RATE (1)	VARIABLE RATE INDEX AND SPREAD (2)	ANNUALIZED MEMBERSHIP OR PARTICI-PATION FEE (3)	TRANS-ACTION AND OTHER FEES (4)	GRACE PERIOD (5)

The following information must be disclosed in the appropriate spaces above:

(1) The current annual percentage rate (APR) for finance charges for fixed rate open-end credit plans. The current annual percentage rate under a variable rate open-end credit plan may be disclosed as of the date of printing and distribution of the application form, provided, the card issuer further discloses the date such APR was calculated, the length such rate will remain in effect and, a toll free telephone number where an applicant can obtain updated APR finance charge rates.

(2) The effect and circumstances under which the rate may increase; the limitations on any such increases; and, the effects of any such increase for variable rate open-end credit plans.

(3) Whether any annual fees are charged and the amount of any such fees.

(4) Whether any other charges or fees may be assessed, the purposes for which they are assessed and the amounts of any such charges or fees.

(5) The conditions under which a finance charge may be imposed, including the time period within any credit extended may be repaid without incurring a finance charge.

(6) Card issuers must complete each column. If a particular column does not apply to an open-end credit plan, the card issuer must indicate such a fact, by the words "No" or "None" or "Does Not Apply".

MASS. AF 24.8: A65/90-2

The Commonwealth of Massachusetts

ADMINISTRATIVE BULLETIN

OFFICE OF THE COMMISSIONER OF BANKS

Reference No. 90-2
April 30, 1990

Massachusetts General Laws
Chapter 167, sections 6, 7
and 8

UMER COLLECTION
JUN 6 1990
University of Massachusetts

OPINION RELATIVE TO ADMINISTRATIVE BULLETIN 18-2C (Revised) HOME MORTGAGE DATA REPORTING AND DISCLOSURE

The Division of Banks issued a revised Administrative Bulletin 18-2C on March 12, 1990, governing home mortgage data reporting and disclosure requirements for banks as defined in the Bulletin. The purpose of the Bulletin was to ensure that current home mortgage data collection and disclosure requirements under state law conform to federal requirements in the Home Mortgge Disclosure Act and its implementing provisions, Regulation C, found at 12 CFR Part 203. By clarifying two issues raised by the Bulletin, this Opinion will provide for continued regulatory consistency on home mortgage reporting and disclosure requirements in the Commonwealth. The issues and the Division's interpretations are as follows.

Compliance by a subsidiary -
A bank is defined within Administrative Bulletin 18-2C (Revised) to include a wholly-owned or a majority-owned subsidiary. To comply with the data collection as well as the disclosure and reporting requirements of the Bulletin, any such subsidiary must maintain its own records and subsequently file its own reports, in duplicate, at the same time the parent bank files its reports with the Division. Therefore, a subsidiary's reports are separate and in addition to those for the bank itself.

Presence within a PMSA or MSA by a subsidiary -
A bank is further defined in Administrative Bulletin 18-2C (Revised) to include only those institutions having a main office or branch office in a primary metropolitan statistical area (PMSA) or a metropolitan statistical area (MSA) specified in the Bulletin. For the purposes of the Bulletin, a wholly-owned or a majority-owned subsidiary of a bank is deemed to have an office in a PMSA or MSA if, in the preceeding calendar year, it received applications for, originated, or purchased five or more home purchase or home improvement loans on property located in that PMSA or MSA. Therefore, such a subsidiary may be required to comply with the collection, reporting and disclosure provisions of the Bulletin despite the lack of a physical presence in the specified PMSAs or MSAs.

The interpretations contained herein shall be effective retroactive to January 1, 1990, the effective date of the Bulletin.

MASS. AF24.8: A65/ 5-10 ✓

The Commonwealth of Massachusetts

Office of the Commissioner of Banks
Leverett Saltonstall Building, Room 2004
100 Cambridge Street
Boston, Massachusetts 02202

WILLIAM F. WELD
GOVERNOR

ALAN R. MORSE, JR.
COMMISSIONER

COLLECTION
Depository Copy

August 31, 1993

TO THE CHIEF EXECUTIVE OFFICER:

The Division of Banks ("the Division") today released Administrative Bulletin 5-10, called the "Community Reinvestment and Fair Lending Policy." A copy is enclosed. Its principal objective is to encourage state-chartered banks and credit unions to adhere to fair lending policies and practices. The Bulletin outlines the Division's expectations of institutions to detect and eliminate potentially discriminatory policies and practices. The policy also introduces a new performance category into the Community Reinvestment Act ("CRA") Examination called, "Fair Lending Policies and Practices." In addition, the policy defines the role of an institution's overall CRA performance in the regulatory application process.

Fair lending benefits not only the institution's bottom line, but also the individual, society and the economy. Institutions that turn away potentially creditworthy customers, deny themselves the opportunity to establish relationships with new customers and generate new revenues. By identifying more creditworthy individuals, including those living in low and moderate-income communities, the industry improves the quality of life in all neighborhoods.

The Division has reviewed the practical requirements of this new policy, and believes that they are not overly burdensome. Many institutions have already designed innovative programs to address the issue of discrimination. In addition, many of the expectations which are outlined make good business sense in that they will help institutions to understand and meet the needs of the markets they serve.

The Division is committed to ensuring that institutions are in compliance with all fair lending laws and regulations. As part of our ongoing efforts to improve examination techniques, the Division will implement new examination procedures relative to the new performance category.

Very truly yours,

Alan R. Morse, Jr.
Commissioner of Banks

Enclosure

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COMMONWEALTH OF MASSACHUSETTS

DIVISION OF BANKS

ADMINISTRATIVE BULLETIN

Ref. No. 5-10 All Banks and Credit Unions

Issued: August 31, 1993 G.L. c. 167, §14

COMMUNITY REINVESTMENT AND FAIR LENDING POLICY

The purpose of this policy statement is to articulate the views of the Division of Banks ("Division") concerning discrimination in credit, the need for state-chartered institutions to aggressively detect and eliminate discrimination, to indicate what the Division expects of the institutions it supervises, and to give guidance on how financial institutions can meet these expectations. In addition, this policy statement will introduce a new performance category into the Community Reinvestment Act ("CRA") examination process and clarify the role of CRA in the regulatory application process.

DISCRIMINATION IN CREDIT

The Equal Credit Opportunity Act ("ECOA") regulations (12 CFR 202 or "Regulation B") and regulations of the Massachusetts Commission Against Discrimination (804 CMR 7.00) prohibit discrimination on the basis of race, color, religion, national origin, ethnic origin, sex, marital status, age, or because all or part of the applicant's income derives from a public assistance program. These regulations apply not only to mortgage lending, but also to every other type of credit, including small business lending. Chapter 151B of the Massachusetts General Laws further protects mortgage applicants on the basis of sexual orientation or handicap. Fair lending on the part of institutions enhances the communities they serve and increases their volume of business. Therefore, fair lending also helps to expand the economy.

The recent study by the Federal Reserve Bank of Boston regarding the mortgage lending patterns in the Boston area indicated that, in the area of mortgage financing, discrimination on the basis of race played a role in the disparity of denial rates among black and white applicants[1]. No studies have been done concerning other types of credit, such as small business lending. Many institutions, however, have begun to address these issues independently.

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[1] Alicia H. Munnell; Lynn E. Browne; James McEneaney; Geoffrey M.B. Tootell. Mortgage Lending in Boston: Interpreting HMDA Data (Boston, MA: Federal Reserve Bank of Boston, Working Paper Series No. 92-7, 1992) 42-44.

NEED TO DETECT AND ELIMINATE DISCRIMINATION

Both the industry and the financial institutions' supervisory agencies are faced with the many challenges of discrimination. Overt, intentional discrimination is easily recognized and quickly condemned. Where it exists, discrimination today is far more likely to be in subtle forms, or even unintentional. This is an area in which the industry and the regulators must work together.

Bias and prejudice must not impact the decisions to grant credit in a sound and fair manner. Discrimination will not be eliminated without the complete support and assistance of an institution's board, management and staff. The Division is actively developing new examination procedures to enable its examiners to detect discrimination more effectively. The Division will work aggressively to detect discrimination and will bring suspected cases of discrimination to the attention of the appropriate law enforcement authority.

WHAT THE DIVISION EXPECTS

All state-chartered institutions are expected to incorporate fair lending as a goal both in their written loan policies as well as in their mission statements. However, simply having fair lending as a goal is not enough. Institutions must work proactively to eliminate any potentially discriminatory policies, practices or procedures.

The Division reviews an institution's compliance with fair lending laws and regulations as part of its CRA examination process. The Division will vigorously examine each state-chartered institution for compliance with the Equal Credit Opportunity Act, the Community Reinvestment Act and the Home Mortgage Disclosure Act once every two years. Areas which the Division will examine for discrimination include, but are not limited to the following: customer and community outreach and education; marketing techniques; the types of credit available; staff composition; pre-application policies and procedures which affect loan application flow; the soundness of underwriting standards and the consistency of their implementation; interviewing techniques and the consistency of counselling; third party involvement (e.g. brokers, lawyers and appraisers) and notification practices. Not only will the Division review all aspects of the credit process for evidence of discrimination, but it is also expected that institutions will review them as well.

The Division has developed specific criteria which lenders may use to detect and eliminate discriminatory policies and practices. Each recommendation should be reviewed to determine how it can be tailored to fit an individual institution. Specific recommendations should be adopted and implemented if not already in place. Institutions are encouraged to be innovative in their implementation of the specific recommendations which follow:

- **STAFF TRAINING** - Staff training is an important step in addressing discrimination. Training should naturally focus on compliance with fair lending laws and regulations. In addition, the programs should convey the board's and senior management's commitment to fair lending and to the elimination of potentially discriminatory policies and practices. Training programs should be held on a regular basis with all staff, especially those who interact with the public, to ensure that employees are familiar with their responsibilities to treat everyone in a fair, uniform and non-discriminatory manner. However, the training programs should also include topics such as diversity training to eliminate potential personal bias. Diversity training improves an appreciation for all racial and ethnic cultures and other individual differences which otherwise might give rise to personal bias.

- **STAFF COMPOSITION AND COMPENSATION** - All institutions should review their hiring and promotional practices. By maintaining a staff with diverse backgrounds and language abilities, an institution may have an advantage in opening untapped markets by gaining a better understanding of the needs of its customers. Input from a diverse staff may result in marketing programs which are particularly effective in attracting applications from all segments of the delineated local community. This is especially true for those institutions located in areas with changing demographic compositions. In addition, institutions should review their compensation structures for loan originators. Incentives which emphasize loan size exclusively may discourage loan originators from soliciting lower-income, minority or non-English speaking applicants.

- **OUTREACH** - An effective program to ascertain the credit needs of the community is crucial for an institution to understand what its market is and how it can best serve that market. All institutions are assessed for their efforts to ascertain the credit needs of all segments of their delineated local community, including low and moderate-income areas. If an institution establishes a presence in minority and/or non-English speaking communities, it can better understand the needs and concerns of those communities. That also makes good business sense. An effective ascertainment program can also have the benefit of helping to attract new customers by informing the community of the credit services the institution offers.

- **CREDIT PRODUCTS AND UNDERWRITING STANDARDS** - As part of its ongoing CRA efforts, an institution should regularly review its credit products to determine whether those products are helping to meet the credit needs of all segments of the institution's delineated local community. These efforts should include an analysis as to whether the credit products the institution currently offers are those which the community actually needs, as discerned through its ascertainment efforts. If the institution is not doing an effective job in reaching all segments of the community, the institution should consider offering alternative lending products.

  Assessment Factor I of the CRA assesses an institution's "use of flexible lending criteria, consistent with safe and sound banking practices." In addition, Assessment Factor J reviews an institution's "participation in government lending programs for housing or small businesses." There are many programs which an institution can develop or participate in to assist customers who do not necessarily meet all of the standard criteria without sacrificing prudent underwriting standards. Certain secondary mortgage market purchasers, such as Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac") have demonstrated flexibility in their mortgage loan programs and have recently developed new underwriting standards which could enhance lending efforts in minority, low and moderate-income and non-English speaking communities.

  Institutions are reminded that §64 of c. 183 of the Massachusetts General Laws prohibits lenders from using underwriting standards which are "arbitrary or unsupported by a reasonable analysis of the lending risks associated with a residential mortgage transaction". Underwriting standards should be reviewed to determine whether they arbitrarily exclude low and moderate-income residents from qualifying for a mortgage. This in no way implies that a lender should not use sound underwriting standards when considering a loan application.

- **MARKETING** - Every institution is expected to have a sound and effective marketing strategy. All businesses must attract new customers in order to prosper. Assessment Factor B of the CRA assesses an institution's efforts to inform the community of the credit services

it offers. An institution must ensure that its marketing efforts reach all segments of its delineated local community. Advertising strategies should reflect the racial composition of the community which the institution serves. These marketing efforts may include call programs to brokers or representatives in minority and low and moderate-income communities who subscribe to fair lending policies and practices.

A physical presence in minority and low and moderate-income communities is an extremely effective means to market and deliver banking services. Institutions should address the problem of access to banking services by reviewing their office locations and hours as well as services, including house calls to prospective loan applicants. Also, in areas where there is a significant non-English speaking population, institutions should make an effort to market the institution's credit services using bilingual means. In addition, institutions should make every attempt to inform residents of their credit services in the forum they feel most familiar. Contacts with religious or community groups can be effective marketing techniques and can also serve as valuable sources of information.

- **CREDIT EDUCATION** - Institutions can also benefit by participating in efforts to educate consumers on the home buying and credit application process. The consumer benefits by becoming informed about the process. In addition, the consumer has a better understanding of both the advantages and problems associated with home ownership. The institution benefits by developing a relationship with a well informed customer. Institutions can hold their own credit education seminars or co-sponsor seminars with other institutions or community and social service organizations.

- **COUNSELLING** - Institutions should be aware that they must apply credit application assistance in a consistent manner. When any applicant requires assistance, the institution should take the time to take them through the application process. Most mortgage applicants, especially first-time home buyers, are unfamiliar with the aspects of the application process. These aspects include the requirements of private mortgage insurance ("PMI") and appraisal standards. Institutions may also want to consider referring applicants who have problems with their credit histories to appropriate credit counselling service providers. In addition, each institution should ensure that its credit standards are carried out fairly and consistently, including the application of compensating factors.

- **SECOND REVIEW PRACTICES** - All mortgage and small business lenders in Massachusetts are required to refer denied applicants to the Mortgage Review Boards and the Small Business Loan Review Boards. These boards provide a valuable second review process for denied applicants who believe that they were unfairly turned down. However, prior to the issuance of an adverse action notice, lenders should have an independent internal process to review the application to determine whether the institution's application procedures were followed. In addition, denied applications should be compared with approved applications to determine whether or not compensating factors were applied fairly and consistently.

- **INTERNAL CONTROL PROCEDURES** - In order to ensure that policies and procedures are not discriminatory as well as for quality control purposes, an institution should consider self-testing or a comparable alternative. Certainly, second review practices and regular analysis of the geographic distribution of applications and originations, as well as local demographic data, are important steps in the review of an institution's practices. An institution may also want to consider the use of paired testers. These testers can determine whether or not personnel at the institution are steering or prescreening applicants or showing

preferential treatment to one applicant over another. If the results show disparate treatment of the testers, that may indicate evidence of discrimination. Any evidence of discriminatory practices should be dealt with swiftly and firmly by the institution. Institutions should also implement complaint resolution systems to effectively respond to complaints from customers. It should also be noted that the undertaking a self-testing program will be accorded significant positive consideration under Assessment Factor D and the new performance category outlined below.

NEW PERFORMANCE CATEGORY IN THE CRA EXAMINATION PROCESS

The Division will use innovative means in the examination process to detect suspected discriminatory practices. Therefore, the Division today has adopted a new policy with regard to the role of discrimination in the CRA examination, pursuant to clause (m) of the fifteenth paragraph of §14, c. 167 of the Massachusetts General Laws.

The Division rates an institution with one of four descriptive ratings (Outstanding, Satisfactory, Needs to Improve and Substantial Noncompliance). As a matter of policy, a rating is assigned to each of the five performance categories: Ascertainment of Community Credit Needs, Marketing and Types of Credit Offered and Extended, Geographic Distribution and Record of Opening and Closing Offices, Discrimination and Other Illegal Credit Practices, and Community Development. Beginning November 1, 1993, the Division will assess an institution's record under a new performance category. This category will be entitled "Fair Lending Policies and Practices". This performance category shall encompass all of the above-mentioned expectations. Those institutions which adopt and implement these fair lending policies and practices will be given a positive rating for such efforts. Conversely, those institutions which fail to pursue fair lending policies and practices will be given a less than satisfactory rating in this performance category. (See Appendix for a profile of the individual ratings in the new performance category. These profiles are not exclusive.) As is the case now, an institution's overall CRA rating will not be a net average of the performance categories. Rather, the examiner will continue to take all factors into consideration when deciding how to weigh the performance categories and the individual assessment factors.

FAIR LENDING ENFORCEMENT POLICY

All cases of suspected discrimination will be referred to the appropriate law enforcement agency.

ROLE OF CRA IN THE REGULATORY APPLICATION PROCESS

The Division regularly considers applications from institutions which require regulatory approval, including applications to open, close and relocate branches and ATMs as well as for mergers and acquisitions. In all such transactions, an institution's CRA rating is considered when deciding whether or not to approve an application. Community groups may protest an institution's application before the Division. However, complaints against an institution should not be raised solely at the time of an application. Rather, any complaints against an institution should be brought to the attention of the Division on an ongoing basis, especially if someone suspects an institution of discrimination.

IMPLEMENTATION

It is hoped that by implementing the above criteria, institutions will go a long way in

eliminating potentially discriminatory lending policies and practices. Fair lending is a goal which benefits not only the institution and the community it serves, but also the individual, society and the overall economy.

All institutions will be expected to be in compliance with the above-mentioned criteria effective November 1, 1993. However, all institutions should begin to implement these initiatives as soon as possible. Therefore, any institution which is examined by the Division in the interim period and which has adopted and implemented any or all of the aforementioned efforts, will be given positive consideration in the CRA examination.

APPENDIX TO ADMINISTRATIVE BULLETIN 5-10

OUTSTANDING

The institution has an outstanding record of developing and implementing fair lending policies and practices.

This may take the form of:

- ongoing and comprehensive training programs for all staff levels, including compliance with fair lending laws and regulations, as well as diversity training.

- ongoing review of the composition of its staff and proactive attempts to attract employees which reflect the general composition of its delineated local community.

- established compensation structure which encourages loan originators to solicit applications from all segments of its delineated local community.

- ongoing, meaningful and creative outreach program designed to ascertain the credit needs of its entire delineated local community, including low and moderate-income areas.

- developed and available credit products designed to meet community credit needs, including products with flexible lending criteria and/or government lending programs.

- established effective and innovative marketing strategy designed to inform all segments of its delineated local community, including low and moderate-income and minority areas, of the credit services it offers.

- ongoing and meaningful participation in community lending forums to increase consumers' awareness of the lending process.

- ongoing and thorough efforts to counsel applicants through the application process and refer applicants to credit counseling.

- ongoing independent internal second review process whereby all denied applications are reviewed to ensure compliance with fair lending laws and regulations.

- established and ongoing internal control procedures, such as self-testing or a comparable program to ensure that the institution's policies and procedures are being followed and that discrimination does not play a part in the application flow, the origination and/or the credit decision process.

SATISFACTORY

The institution has a satisfactory record of developing and implementing fair lending policies and practices.

This may take the form of:

- regular[2] training programs for all staff levels, including compliance with fair lending laws and regulations.

- regular review of the composition of its staff and efforts to attract employees which reflect the general composition of the delineated local community.

- established compensation structure which encourages loan originators to solicit applications from all segments of its delineated local community.

- regular contact with organizations and individuals for the purpose of effectively ascertaining the credit needs of the local delineated community.

- developed credit products, including those with flexible lending criteria and/or government lending programs.

- regular efforts to market the institution's credit services to all segments of its delineated local community, including low and moderate-income and minority areas.

- regular participation in community lending forums to increase consumers' awareness of the lending process.

- regular efforts to counsel applicants through the application process and refer applicants to credit counseling.

- regular efforts to additionally review all denied applications to ensure compliance with fair lending laws and regulations.

- use of internal control procedures, such as self-testing or a comparable program to ensure that the institution's policies and procedures are being followed and that discrimination does not play a part in the application flow, the origination and/or the credit decision process.

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[2] The word "regular" differs from "ongoing" in the degree of intensity of the program or review. This includes the comprehensiveness and frequency of the program or review and the level of resources devoted to such.

NEEDS TO IMPROVE

The institution needs to improve its efforts to develop and implement fair lending policies and practices.

This is represented by:

- limited training programs for compliance with anti-discrimination laws and regulations.
- limited reviews of the composition of its staff or attempts to attract employees which reflect the general composition of its delineated local community.
- compensation structure may not encourage loan originators to solicit applications from all segments of its delineated local community.
- limited contact with area organizations and individuals to ascertain the credit needs of the delineated local community.
- no credit products which make use of flexible lending criteria and/or government lending programs.
- marginal efforts to market the institution's credit services to all segments of its delineated local community.
- minimal participation in community lending forums to increase consumers' awareness of the lending process.
- limited efforts to counsel applicants through the application process.
- limited efforts to review all denied applications to ensure compliance with fair lending laws and regulations.
- limited or no internal control procedures to ensure that the institution's policies and procedures are being followed and that discrimination does not play a part in the application flow, the origination and/or the credit decision process.

SUBSTANTIAL NONCOMPLIANCE

The institution has made no efforts to develop and implement fair lending policies and practices.

This is represented by:

- no training programs for compliance with anti-discrimination laws and regulations.
- no efforts to review the composition of its staff or attempt to attract employees which reflect the general composition of its delineated local community.
- compensation structure discourages loan originators from soliciting applications from all segments of its delineated local community.

- few if any contacts with area organizations and individuals to ascertain the credit needs of its delineated local community.

- no credit products which make use of flexible lending criteria and/or government lending programs, even though a need for such products is evident.

- few if any efforts to market the institution's credit services to all segments of its delineated local community.

- no participation in community lending forums to increase consumers' awareness of the lending process.

- no efforts to counsel applicants through the application process.

- no efforts to review denied applications to ensure compliance with fair lending laws and regulations.

- no internal control procedures to ensure that the institution's policies and procedures are being followed and that discrimination does not play a part in the application flow, the origination and/or the credit decision process.

MASS. AF24.8: A65 /table.

GOVERNMENT DOCUMENTS COLLECTION
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October 2, 1995

To the Chief Executive Officer Addressed:

Enclosed please find a copy of the newly issued Administrative Bulletin 9-6, entitled "Credit Union Investment in Foreign Government Bonds." This policy statement governs credit union investments in bonds of certain foreign governments. G. L. c. 171, §67(s) expressly authorizes credit unions to invest in "... bonds of governments or countries friendly to the United States as defined by the United States Department of State." This interpretive policy statement clarifies which countries qualify under this investment authority.

This issue recently arose during a safety and soundness examination of a credit union where the legality of a credit union's investment in certain bonds issued by the State of Israel was questioned. At issue was whether these bonds met the above quoted statutory requirements. Since Israel maintains diplomatic relations with the United States, this type of investment is lawful under G. L. c. 171, §67(s) and Administrative Bulletin 9-6. Please refer to the enclosed April 26, 1995 "Fact Sheet" on "Independent States and Dependencies" issued by the U.S. Department of State, Bureau of Public Affairs, Office of Public Communication, for a complete list of foreign countries maintaining diplomatic relations with the United States.

In closing, credit unions are cautioned that any investment, particularly investments under G. L. c. 171, §67(s), must be suitable, high quality investments made in accordance with prudent and sound investment practices.

This Administrative Bulletin also is being distributed to all Division of Banks Examiners and to the Regional Director of the National Credit Union Administration.

COMMONWEALTH OF MASSACHUSETTS

DIVISION OF BANKS

ADMINISTRATIVE BULLETIN

Ref. No. 9-6 5 | Credit Unions

Issued: October 2, 1995 | G.L. c. 171, § 67(s)

Credit Union Investment in Foreign Government Bonds

AUTHORITY AND SCOPE

This policy statement is issued by the Division of Banks ("Division") under the authority of G. L. c. 171, §67(s). It governs credit union investments in bonds of certain foreign governments. G. L. c. 171, §67(s) expressly authorizes credit unions to invest in "... bonds of governments or countries friendly to the United States as defined by the United States Department of State." This interpretive policy statement clarifies which countries qualify under this investment authority.

BACK-GROUND

The Division has determined that the United States Department of State ("State Department") does not formally designate or identify governments or countries as "friendly" to the United States. The State Department, however, does identify governments or countries which have diplomatic relations with the United States. Periodically, it also makes lists of such countries available to the public. You may request a hard copy of the "Fact Sheet" entitled, "Independent States and Dependencies" from:

U.S. Department of State Bureau of Public Affairs, Office of Public Communication
2201 C Street N.W., Washington, D.C. 20520 -- (202) 647-6575.

This document also may be obtained by facsimile machine. Call (202) 736-7720 to receive a facsimile copy on demand. Listen to instructions and when appropriate, key in 244 for the document number.

STANDARD

For purposes of determining compliance with G. L. c. 171, §67(s), the Division considers those governments or countries identified by the Department of State as having diplomatic relations with the United States to be "friendly" as the term is used in the law.

This determination does not relieve a credit union of the responsibility to invest in suitable, high quality investments made in accordance with prudent and sound investment practices. Any such investment also must be consistent with the credit union's written investment policies which must expressly authorize this type of investment and prescribe aggregate limitations on such investments. A credit union also must fully consider the unique currency, political and other risks inherent in investing in the bonds of foreign countries.

EFFECTIVE DATE

This policy statement is effective immediately.

Fact Sheet

Independent States and Dependencies as of April 26, 1995

Independent States[1]

Short-form name	Long-form name	Code[2]	Capital
001. Afghanistan *+	Islamic State of Afghanistan	AF	*Kabul*
002. Albania *+	Republic of Albania	AL	*Tirana*
003. Algeria *+	Democratic and Popular Republic of Algeria	AG	*Algiers*
004. Andorra *+	Principality of Andorra	AN	*Andorra la Vella*
005. Angola *+	Republic of Angola	AO	*Luanda*
006. Antigua and Barbuda *+	(no long-form name)	AC	*Saint John's*
007. Argentina *+	Argentine Republic	AR	*Buenos Aires*
008. Armenia *+	Republic of Armenia	AM	*Yerevan*
009. Australia *+	Commonwealth of Australia	AS	*Canberra*
010. Austria *+	Republic of Austria	AU	*Vienna*
011. Azerbaijan *+	Azerbaijani Republic	AJ	*Baku*
012. Bahamas, The *+	Commonwealth of The Bahamas	BF	*Nassau*
013. Bahrain *+	State of Bahrain	BA	*Manama*
014. Bangladesh *+	People's Republic of Bangladesh	BG	*Dhaka*
015. Barbados *+	(no long-form name)	BB	*Bridgetown*
016. Belarus *+	Republic of Belarus	BO	*Minsk*
017. Belgium *+	Kingdom of Belgium	BE	*Brussels*
018. Belize *+	(no long-form name)	BH	*Belmopan*
019. Benin *+	Republic of Benin	BN	*Porto-Novo*
020. Bhutan +	Kingdom of Bhutan	BT	*Thimphu*
021. Bolivia *+	Republic of Bolivia	BL	*La Paz (administrative)* *Sucre (legislative/judiciary)*
022. Bosnia and Herzegovina *+	Republic of Bosnia and Herzegovina	BK	*Sarajevo*
023. Botswana *+	Republic of Botswana	BC	*Gaborone*
024. Brazil *+	Federative Republic of Brazil	BR	*Brasilia*
025. Brunei *+	Negara Brunei Darussalam	BX	*Bandar Seri Begawan*
026. Bulgaria *+	Republic of Bulgaria	BU	*Sofia*
027. Burkina *+	Burkina Faso	UV	*Ouagadougou*
028. Burma *+	Union of Burma	BM	*Rangoon*
029. Burundi *+	Republic of Burundi	BY	*Bujumbura*
030. Cambodia *+	Kingdom of Cambodia	CB	*Phnom Penh*
031. Cameroon *+	Republic of Cameroon	CM	*Yaounde*
032. Canada *+	(no long-form name)	CA	*Ottawa*
033. Cape Verde *+	Republic of Cape Verde	CV	*Praia*
034. Central African Republic *+	Central African Republic	CT	*Bangui*
035. Chad *+	Republic of Chad	CD	*N'Djamena*
036. Chile *+	Republic of Chile	CI	*Santiago*
037. China *+ (see note[3])	People's Republic of China	CH	*Beijing*
038. Colombia *+	Republic of Colombia	CO	*Bogota*
039. Comoros *+	Federal Islamic Republic of the Comoros	CN	*Moroni*
040. Congo *+	Republic of the Congo	CF	*Brazzaville*
041. Costa Rica *+	Republic of Costa Rica	CS	*San Jose*
042. Cote d'Ivoire (Ivory Coast) *+	Republic of Cote d'Ivoire	IV	*Yamoussoukro*
043. Croatia *+	Republic of Croatia	HR	*Zagreb*
044. Cuba +	Republic of Cuba	CU	*Havana*
045. Cyprus *+	Republic of Cyprus	CY	*Nicosia*
046. Czech Republic *+	Czech Republic	EZ	*Prague*

* Diplomatic relations with the United States
\+ Member of United Nations

U.S. Department of State
Bureau of Public Affairs
Office of Public Communication

Short-form name	Long-form name	Code[2]	Capital
047. Denmark *+	Kingdom of Denmark	DA	*Copenhagen*
048. Djibouti *+	Republic of Djibouti	DJ	*Djibouti*
049. Dominica *+	Commonwealth of Dominica	DO	*Roseau*
050. Dominican Republic *+	Dominican Republic	DR	*Santo Domingo*
051. Ecuador *+	Republic of Ecuador	EC	*Quito*
052. Egypt *+	Arab Republic of Egypt	EG	*Cairo*
053. El Salvador *+	Republic of El Salvador	ES	*San Salvador*
054. Equatorial Guinea *+	Republic of Equatorial Guinea	EK	*Malab*
055. Eritrea *+	State of Eritrea	ER	*Asmar*
056. Estonia *+	Republic of Estonia	EN	*Tallinn*
057. Ethiopia *+	(no long-form name)	ET	*Addis Ababa*
058. Fiji *+	Republic of Fiji	FJ	*Suva*
059. Finland *+	Republic of Finland	FI	*Helsinki*
060. France *+	French Republic	FR	*Paris*
061. Gabon *+	Gabonese Republic	GB	*Libreville*
062. Gambia, The *+	Republic of The Gambia	GA	*Banjul*
063. Georgia *+	Republic of Georgia	GG	*T'bilisi*
064. Germany *+	Federal Republic of Germany	GM	*Berlin*
065. Ghana *+	Republic of Ghana	GH	*Accra*
066. Greece *+	Hellenic Republic	GR	*Athens*
067. Grenada *+	(no long-form name)	GJ	*Saint George's*
068. Guatemala *+	Republic of Guatemala	GT	*Guatemala*
069. Guinea *+	Republic of Guinea	GV	*Conakry*
070. Guinea-Bissau *+	Republic of Guinea-Bissau	PU	*Bissau*
071. Guyana *+	Co-operative Republic of Guyana	GY	*Georgetown*
072. Haiti *+	Republic of Haiti	HA	*Port-au-Prince*
073. Holy See *	Holy See	VT	*Vatican City*
074. Honduras *+	Republic of Honduras	HO	*Tegucigalpa*
075. Hungary *+	Republic of Hungary	HU	*Budapest*
076. Iceland *+	Republic of Iceland	IC	*Reykjavik*
077. India *+	Republic of India	IN	*New Delhi*
078. Indonesia *+	Republic of Indonesia	ID	*Jakarta*
079. Iran +	Islamic Republic of Iran	IR	*Tehran*
080. Iraq +	Republic of Iraq	IZ	*Baghdad*
081. Ireland *+	(no long-form name)	EI	*Dublin*
082. Israel *+	State of Israel	IS	(see note[4])
083. Italy *+	Italian Republic	IT	*Rome*
084. Jamaica *+	(no long-form name)	JM	*Kingston*
085. Japan *+	(no long-form name)	JA	*Tokyo*
086. Jordan *+	Hashemite Kingdom of Jordan	JO	*Amman*
087. Kazakhstan *+	Republic of Kazakhstan	KZ	*Almaty*
088. Kenya *+	Republic of Kenya	KE	*Nairobi*
089. Kiribati *	Republic of Kiribati	KR	*Tarawa*
090. Korea, North +	Democratic People's Republic of Korea	KN	*P'yongyang*
091. Korea, South *+	Republic of Korea	KS	*Seoul*
092. Kuwait *+	State of Kuwait	KU	*Kuwait*
093. Kyrgyzstan *+	Kyrgyz Republic	KG	*Bishkek*
094. Laos *+	Lao People's Democratic Republic	LA	*Vientiane*
095. Latvia *+	Republic of Latvia	LG	*Riga*
096. Lebanon *+	Republic of Lebanon	LE	*Beirut*
097. Lesotho *+	Kingdom of Lesotho	LT	*Maseru*
098. Liberia *+	Republic of Liberia	LI	*Monrovia*
099. Libya *+	Socialist People's Libyan Arab Jamahiriya	LY	*Tripoli*
100. Liechtenstein *+	Principality of Liechtenstein	LS	*Vaduz*
101. Lithuania *+	Republic of Lithuania	LH	*Vilnius*
102. Luxembourg *+	Grand Duchy of Luxembourg	LU	*Luxembourg*
103. Macedonia, The Former Yugoslav Republic of+	The Former Yugoslav Republic of Macedonia	MK	*Skopje*
104. Madagascar *+	Republic of Madagascar	MA	*Antananarivo*

Short-form name	Long-form name	Code[2]	Capital
105. Malawi *+	Republic of Malawi	MI	*Lilongwe*
106. Malaysia *+	(no long-form name)	MY	*Kuala Lumpur*
107. Maldives *+	Republic of Maldives	MV	*Male*
[illegible]li *+	Republic of Mali	ML	*Bamako*
[illegible]lta *+	(no long-form name)	MT	*Valletta*
110. Marshall Islands *+	Republic of the Marshall Islands	RM	*Majuro*
111. Mauritania *+	Islamic Republic of Mauritania	MR	*Nouakchott*
112. Mauritius *+	Republic of Mauritius	MP	*Port Louis*
113. Mexico *+	United Mexican States	MX	*Mexico*
114. Micronesia, Federated States of *+	Federated States of Micronesia	FM	*Palikir*
115. Moldova *+	Republic of Moldova	MD	*Chisinau*
116. Monaco *+	Principality of Monaco	MN	*Monaco*
117. Mongolia *+	(no long-form name)	MG	*Ulaanbaatar*
118. Morocco *+	Kingdom of Morocco	MO	*Rabat*
119. Mozambique *+	Republic of Mozambique	MZ	*Maputo*
120. Namibia *+	Republic of Namibia	WA	*Windhoek*
121. Nauru *	Republic of Nauru	NR	*Yaren District* (no capital city)
122. Nepal *+	Kingdom of Nepal	NP	*Kathmandu*
123. Netherlands *+	Kingdom of the Netherlands	NL	*Amsterdam* *The Hague* (seat of govt.)
124. New Zealand *+	(no long-form name)	NZ	*Wellington*
125. Nicaragua *+	Republic of Nicaragua	NU	*Managua*
126. Niger *+	Republic of Niger	NG	*Niamey*
127. Nigeria *+	Federal Republic of Nigeria	NI	*Abuja*
128. Norway *+	Kingdom of Norway	NO	*Oslo*
129. Oman *+	Sultanate of Oman	MU	*Muscat*
130. Pakistan *+	Islamic Republic of Pakistan	PK	*Islamabad*
131. Palau *+	Republic of Palau	PS	*Koror*
132. Panama *+	Republic of Panama	PM	*Panama*
133. Papua New Guinea *+	Independent State of Papua New Guinea	PP	*Port Moresby*
134. Paraguay *+	Republic of Paraguay	PA	*Asuncion*
135. Peru *+	Republic of Peru	PE	*Lima*
[illegible]. Philippines *+	Republic of the Philippines	RP	*Manila*
[illegible]. Poland *+	Republic of Poland	PL	*Warsaw*
[illegible]. Portugal *+	Portuguese Republic	PO	*Lisbon*
139. Qatar *+	State of Qatar	QA	*Doha*
140. Romania *+	(no long-form name)	RO	*Bucharest*
141. Russia *+	Russian Federation	RS	*Moscow*
142. Rwanda *+	Republic of Rwanda	RW	*Kigali*
143. Saint Kitts and Nevis *+	Federation of Saint Kitts and Nevis	SC	*Basseterre*
144. Saint Lucia *+	(no long-form name)	ST	*Castries*
145. Saint Vincent and the Grenadines *+	(no long-form name)	VC	*Kingstown*
146. San Marino *+	Republic of San Marino	SM	*San Marino*
147. Sao Tome and Principe *+	Democratic Republic of Sao Tome and Principe	TP	*Sao Tome*
148. Saudi Arabia *+	Kingdom of Saudi Arabia	SA	*Riyadh*
149. Senegal *+	Republic of Senegal	SG	*Dakar*
150. Seychelles *+	Republic of Seychelles	SE	*Victoria*
151. Sierra Leone *+	Republic of Sierra Leone	SL	*Freetown*
152. Singapore *+	Republic of Singapore	SN	*Singapore*
153. Slovakia *+	Slovak Republic	LO	*Bratislava*
154. Slovenia *+	Republic of Slovenia	SI	*Ljubljana*
155. Solomon Islands *+	(no long-form name)	BP	*Honiara*
156. Somalia *+	(no long-form name)	SO	*Mogadishu*
157. South Africa *+	Republic of South Africa	SF	*Pretoria* (administrative) *Cape Town* (legislative) *Bloemfontein* (judiciary)
158. Spain *+	Kingdom of Spain	SP	*Madrid*
159. Sri Lanka *+	Democratic Socialist Republic of Sri Lanka	CE	*Colombo*
160. Sudan *+	Republic of the Sudan	SU	*Khartoum*

Short-form name	Long-form name	Code[2]	Capital
161. Suriname *+	Republic of Suriname	NS	*Paramaribo*
162. Swaziland *+	Kingdom of Swaziland	WZ	*Mbabane* (administrative) *Lobamba* (legislative)
162. Sweden *+	Kingdom of Sweden	SW	*Stockholm*
164. Switzerland *	Swiss Confederation	SZ	*Bern*
165. Syria *+	Syrian Arab Republic	SY	*Damascus*
166. Tajikistan *+	Republic of Tajikistan	TI	*Dushanbe*
167. Tanzania *+	United Republic of Tanzania	TZ	*Dar es Salaam*
168. Thailand *+	Kingdom of Thailand	TH	*Bangkok*
169. Togo *+	Republic of Togo	TO	*Lome*
170. Tonga *	Kingdom of Tonga	TN	*Nuku'alofa*
171. Trinidad and Tobago *+	Republic of Trinidad and Tobago	TD	*Port-of-Spain*
172. Tunisia *+	Republic of Tunisia	TS	*Tunis*
173. Turkey *+	Republic of Turkey	TU	*Ankara*
174. Turkmenistan *+	(no long-form name)	TX	*Ashgabat*
175. Tuvalu *	(no long-form name)	TV	*Funafuti*
176. Uganda *+	Republic of Uganda	UG	*Kampala*
177. Ukraine *+	(no long-form name)	UP	*Kiev*
178. United Arab Emirates *+	United Arab Emirates	TC	*Abu Dhabi*
179. United Kingdom *+	United Kingdom of Great Britain and Northern Ireland	UK	*London*
180. United States +	United States of America	US	*Washington, DC*
181. Uruguay *+	Oriental Republic of Uruguay	UY	*Montevideo*
182. Uzbekistan *+	Republic of Uzbekistan	UZ	*Tashkent*
183. Vanuatu *+	Republic of Vanuatu	NH	*Port-Vila*
184. Venezuela *+	Republic of Venezuela	VE	*Caracas*
185. Vietnam +	Socialist Republic of Vietnam	VM	*Hanoi*
186. Western Samoa *+	Independent State of Western Samoa	WS	*Apia*
187. Yemen *+ (see note[4])	Republic of Yemen	YM	*Sanaa*
188. Zaire *+	Republic of Zaire	CG	*Kinshasa*
189. Zambia *+	Republic of Zambia	ZA	*Lusaka*
190. Zimbabwe *+	Republic of Zimbabwe	ZI	*Harare*

Other

001. Taiwan (see note[5])	(no long-form name)	TW	*Taipei*

[1]In this listing, the term "independent state" refers to a people politically organized into a sovereign state with a definite territory recognized as independent by the U.S.

[2]Federal Information Processing Standards (FIPS) 10-4 codes.

[3]With the establishment of diplomatic relations with China on January 1, 1979, the U.S. Government recognized the People's Republic of China as the sole legal government of China and acknowledged the Chinese position that there is only one China and that Taiwan is part of China.

[4]In 1950 the Israel Parliament proclaimed Jerusalem as the capital. The U.S., like most other countries that have embassies in Israel, maintains its embassy in Tel Aviv.

[5]The U.S. view is that the Socialist Federal Republic of Yugoslavia has dissolved and no successor state represents its continuation. Serbia and Montenegro have asserted the formation of a joint independent state, but this entity has not been formally recognized as a state by the U.S.

[6]Claimed by both the Government of the People's Republic of China and the authorities on Taiwan. Administered by the authorities on Taiwan. (see Note[3])

Dependencies and Areas of Special Sovereignty

Short-form name	Long-form name	Sovereignty	Code[1]	Capital
01. American Samoa	Territory of American Samoa	United States	AQ	*Pago Pago*
02. Anguilla	(no long-form name)	United Kingdom	AV	*The Valley*
03. Antarctica	(no long-form name)	None[2]	AY	None
04. Aruba	(no long-form name)	Netherlands	AA	*Oranjestad*
05. Ashmore and Cartier Islands	Territory of Ashmore and Cartier Islands	Australia	AT	*Admin. fr. Canberra*
06. Baker Island	(no long-form name)	United States	FQ	*Admin. fr. Wash. DC*
07. Bermuda	(no long-form name)	United Kingdom	BD	*Hamilton*
08. Bouvet Island	(no long-form name)	Norway	BV	*Admin. fr. Oslo*
09. British Indian Ocean Territory[3]	British Indian Ocean Territory	United Kingdom	IO	None
10. Cayman Islands	(no long-form name)	United Kingdom	CJ	*George Town*
11. Christmas Island	Territory of Christmas Island	Australia	KT	*The Settlement (Flying Fish Cove)*
12. Clipperton Island	(no long-form name)	France	IP	*Admin. fr. Fr. Polynesia*
13. Cocos (Keeling) Islands	Territory of Cocos (Keeling) Islands	Australia	CK	*West Island*
14. Cook Islands	(no long-form name)	New Zealand	CW	*Avarua*
15. Coral Sea Islands	Coral Sea Islands Territory	Australia	CR	*Admin. fr. Canberra*
16. Falkland Islands (Islas Malvinas)	Colony of the Falkland Islands	United Kingdom[4]	FK	*Stanley*
17. Faroe Islands	(no long-form name)	Denmark	FO	*Torshavn*
18. French Guiana	Department of Guiana	France	FG	*Cayenne*
19. French Polynesia	Territory of French Polynesia	France	FP	*Papeete*
20. French Southern and Antarctic Lands[5]	Territory of the French Southern and Antarctic Lands	France	FS	*Admin. fr. Paris*
21. Gibraltar	(no long-form name)	United Kingdom	GI	*Gibraltar*
22. Greenland	(no long-form name)	Denmark	GL	*Nuuk (Godthab)*
23. Guadeloupe[6]	Department of Guadeloupe	France	GP	*Basse-Terre*
24. Guam	Territory of Guam	United States	GQ	*Agana*
25. Guernsey	Bailiwick of Guernsey	British Crown Dep.	GK	*Saint Peter Port*
26. Heard Island and McDonald Islands	Territory of Heard Island and McDonald Islands	Australia	HM	*Admin. fr. Canberra*
27. Hong Kong	(no long-form name)	United Kingdom[7]	HK	*Victoria*
28. Howland Island	(no long-form name)	United States	HQ	*Admin. fr. Wash. DC*
29. Jan Mayen	(no long-form name)	Norway	JN	*Admin. fr. Oslo*[8]
30. Jarvis Island	(no long-form name)	United States	DQ	*Admin. fr. Wash. DC*
31. Jersey	Bailiwick of Jersey	British Crown Dep.	JE	*Saint Helier*
32. Johnston Atoll	(no long-form name)	United States	JQ	*Admin. fr. Wash. DC*
33. Kingman Reef	(no long-form name)	United States	KQ	*Admin. fr. Wash. DC*
34. Macau	(no long-form name)	Portugal[9]	MC	*Macau*
35. Man, Isle of	(no long-form name)	British Crown Dep.	IM	*Douglas*
36. Martinique	Department of Martinique	France	MB	*Fort-de-France*
37. Mayotte	Territorial Collectivity of Mayotte	France	MF	*Mamoutzou*
38. Midway Islands	(no long-form name)	United States	MQ	*Admin. fr. Wash. DC*
39. Montserrat	(no long-form name)	United Kingdom	MH	*Plymouth*
40. Navassa Island	(no long-form name)	United States	BQ	*Admin. fr. Wash. DC*
41. Netherlands Antilles[10]	(no long-form name)	Netherlands	NT	*Willemstad*
42. New Caledonia	Territory of New Caledonia and Dependencies	France	NC	*Noumea*
43. Niue	(no long-form name)	New Zealand	NE	*Alofi*
44. Norfolk Island	Territory of Norfolk Island	Australia	NF	*Kingston*
45. Northern Mariana Islands	Commonwealth of the Northern Mariana Islands	United States	CQ	*Saipan*
46. Palmyra Atoll	(no long-form name)	United States	LQ	*Admin. fr. Wash. DC*
47. Paracel Islands	(no long-form name)	undetermined[11]	PF	None
48. Pitcairn Islands	Pitcairn, Henderson, Ducie, and Oeno Islands	United Kingdom	PC	*Adamstown*
49. Puerto Rico	Commonwealth of Puerto Rico	United States	RQ	*San Juan*

Short-form name	Long-form name	Sovereignty	Code[1]	Capital
50. Reunion[12]	Department of Reunion	France	RE	*Saint-Denis*
51. Saint Helena[13]	(no long-form name)	United Kingdom	SH	*Jamestown*
52. Saint Pierre and Miquelon	Territorial Collectivity of Saint Pierre and Miquelon	France	SB	*Saint-Pierre*
53. South Georgia and the South Sandwich Islands	South Georgia and the South Sandwich Islands	United Kingdom[4]	SX	None
54. Spratly Islands	(no long-form name)	undetermined[14]	PG	None
55. Svalbard	(no long-form name)	Norway	SV	*Longyearbyen*
56. Tokelau	(no long-form name)	New Zealand	TL	None
57. Turks and Caicos Islands	(no long-form name)	United Kingdom	TK	*Grand Turk*
58. Virgin Islands	Virgin Islands of the United States	United States	VQ	*Charlotte Amalie*
59. Virgin Islands, British	(no long-form name)	United Kingdom	VI	*Road Town*
60. Wake Island	(no long-form name)	United States	WQ	*Admin. fr. Wash. DC*
61. Wallis and Futuna	Territory of the Wallis and Futuna Islands	France	WF	*Mata'utu*
62. Western Sahara	(no long-form name)	undetermined	WI	None

[1]Federal Information Processing Standards (FIPS) 10-4 codes.

[2]Antarctica consists of the territory south of 60 degrees south latitude. This area includes claims by Argentina, Australia, Chile, France, New Zealand, Norway, and the United Kingdom, the legal status of which remains in suspense under the terms of the Antarctic Treaty of 1959. The United States recognizes no claims to Antarctica.

[3]Chagos Archipelago (including Diego Garcia).

[4]Also claimed by Argentina.

[5]"French Southern and Antarctic Lands" includes Ile Amsterdam, Ile Saint-Paul, Iles Crozet, and Iles Kerguelen in the southern Indian Ocean, along with the French-claimed sector of Antarctica, "Terre Adelie." The United States does not recognize the French claim to "Terre Adelie" (see Note[2]).

[6]The Department of Guadeloupe includes the nearby islands of Marie-Galante and la Desirade and Iles des Saintes, as well as Saint Barthelemy and the northern three-fifths of Saint Martin (the rest of which belongs to Netherlands Antilles).

[7]Under a Sino-British declaration of September 1984, Hong Kong will revert to China on July 1, 1997, the expiration of the U.K.'s 99-year lease on the New Territories.

[8]Administered from Oslo, Norway, through a governor resident in Longyearbyen, Svalbard.

[9]Under a Sino-Portuguese declaration of April 1987, Macau will revert to China on December 20, 1999.

[10]Netherlands Antilles comprises two groupings of islands: Curacao and Bonaire are located off the coast of Venezuela; Saba, Sint Eustatius, and Sint Maarten (the Dutch two-fifths of the island of Saint Martin) lie 800 km to the north.

[11]South China Sea islands occupied by China but claimed by Vietnam.

[12]Bassas da India (BS), Europa Island (EU), Glorioso Islands (GO), Juan de Nova Island (JU), and Tromelin Island (TE) are controlled by France and are administered from Reunion. (These islands are claimed by Madagascar; Tromelin Island is also claimed by Mauritius and Seychelles).

[13]The territory of Saint Helena includes the island group of Tristan da Cunha; Saint Helena also administers Ascension Island.

[14]South China Sea islands claimed in entirety by China and Vietnam and in part by the Philippines and Malaysia; each of these states occupies some part of the islands. ■

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IN THE MATTER OF COMMERCE BANCSHARES CORP.
PETITION TO ACQUIRE THE CAPITAL STOCK OF
COMMERCE BANK & TRUST COMPANY, WORCESTER, MASSACHUSETTS

Commerce Bank & Trust Company (the "Bank"), Worcester, Massachusetts, a state-chartered trust company and Commerce Bancshares Corp. (the "Petitioner"), a recently organized Massachusetts corporation with its main office at 386 Main Street, Worcester, Massachusetts, have filed with the Division of Banks (the "Division") for approval of a Plan of Reorganization and Acquisition (the "Plan") dated as of May 8, 1996. Under the terms of said Plan, the Petitioner will acquire all of the issued and outstanding shares of the Bank's common stock, other than shares held by stockholders asserting dissenters' rights, in exchange for shares of the Petitioner's common stock pursuant to the provisions of Massachusetts General Laws chapter 172, section 26B. The Bank will then become a wholly owned subsidiary of the Petitioner as a result of this corporate reorganization.

In accordance with the provisions of said section 26B, the Petitioner and the Bank have submitted the requisite certificates of approval by their respective authorized officers. Notices have been given to stockholders of the Bank and to the public. The deadline for filing comments has passed. Consequently, the Plan has been considered in conformity with the cited statutory provisions.

With reference to this petition, no bank expansion in the form of either a merger or multibank holding company acquisition is involved, thus bank competition will not be adversely affected by approval of the proposed transaction. According to information provided in the application, the Bank's services will not be affected as a result of this acquisition. The Petitioner believes that a holding company structure will provide flexibility for meeting the future financial needs of the Bank or other subsidiaries of the Petitioner and for responding to competitive conditions in the financial services industry. Upon review, the Bank was found to have a "Satisfactory" rating in the most recent examination of its performance under the Community Reinvestment Act. Therefore, public convenience and advantage considerations support approval of this petition. The Division's economic and financial reviews were also found to weigh in favor of this application.

Therefore, based upon the review of the record of this application and a determination that the provisions of said section 26B have been met, approval is hereby granted for the Petitioner's acquisition of the Bank through this reorganization, subject to the following provisions:

1. After the completion of the reorganization of the Bank into the holding company structure the following investments and activities shall be authorized:

   (a) Commerce Bancshares Corp. may engage directly or indirectly in only such activities as are now or may hereafter be proper activities for bank holding companies registered under the Federal Bank Holding Company Act of 1956, as amended;

   (b) the Bank may engage in any investment or activity which the Bank may from time to time engage in as a Massachusetts-chartered trust company; and

   (c) Commerce Bancshares Corp. and the Bank may engage in any other investment or activity hereafter authorized by the Commissioner of Banks under applicable law.

2. Commencing with the effective date of the acquisition, the Division's minimum capital requirements for the Bank and Commerce Bancshares Corp. are as follows:

(a) the Bank's Tier I leverage capital ratio must equal or exceed 4%, or any such higher amount as specified within any formal or informal regulatory action document required by the Division, the Federal Deposit Insurance Corporation or the Federal Reserve, based upon the Bank's most recent Federal Deposit Insurance Corporation Report of Condition and Income and any amendments thereto. The amount of capital and assets shall be calculated in accordance with 12 CFR Part 325;

(b) Commerce Bancshares Corp.'s consolidated Tier 1 leverage capital ratio must equal or exceed 4% or any such higher amount as specified within any formal or informal regulatory action document required by the Division, the Federal Deposit Insurance Corporation or the Federal Reserve, based upon its most recent call report or any amendment thereto as reported to the federal or state authority; and

(c) if the minimum capital ratios fall or would fall below those stated in clauses (a) and (b), the Commissioner may impose further conditions or restrictions on the payment of dividends. There will be no dividend restrictions other than those found in Massachusetts General Laws chapter 172, section 28, so long as the minimum capital ratios set out herein are maintained.

3. This acquisition shall conform with and become effective in accordance with the provisions of Section 2 of the Plan of Reorganization and Acquisition.

7/31/96
Date

Commissioner of Banks